

Final Report:
Methodology of a Pay Level Survey for the Civil Service

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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. The relevant policy considerations guiding the development of an improved civil service pay adjustment mechanism include:

- (a) the improved mechanism should meet the long-standing objective of the civil service pay policy, which is to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service. Such remuneration should be regarded as fair by both civil servants and the public which they serve;
- (b) the improved mechanism should support the objective of upholding and nurturing the core values of the civil service¹;
- (c) the improved mechanism should contribute towards a stable civil service comprising officers who will give of their best in serving the Government. At the same time, it should not constrain the flexibility of the civil service system to adjust itself in response to community needs;
- (d) noting the differences in the nature of operation, appointment and remuneration practices as well as job nature and requirements between the civil service and the private sector, we should abide by the established principle of maintaining broad comparability, rather than strict comparability, between civil service pay and private sector pay;
- (e) the existing internal pay relativities among civil service grades/ranks are derived from the qualification groups² which, under a centrally administered pay system, help maintain a degree of consistency and

¹ The core values include commitment to the rule of law; honesty and integrity; accountability for decisions and actions; political neutrality; impartiality in the execution of public functions; and dedication, professionalism and diligence in serving the community through delivering results and meeting performance targets.

² Hitherto, grades with a similar qualification requirement for appointment are broadbanded into qualification groups. The entry pay of civil service grades in the same qualification group is determined having regard to both the entry pay for private sector jobs requiring similar qualifications for appointment and other factors relating to the job nature of the grades concerned, e.g. physical effort, working conditions, etc. Grades within the same qualification group share a common pay scale.

fairness in determining the pay levels for a diverse range of grades/ranks. The improved pay adjustment mechanism should operate on the basis of the existing internal pay relativities unless and until the findings of grade structure reviews conducted for individual grades/ranks support any adjustment to such relativities;

- (f) any changes to the existing civil service pay adjustment mechanism should be consistent with the Basic Law and take full account of the contractual considerations, those international obligations which apply to Hong Kong and other legal considerations relevant to the employment relationship between the Government and civil servants; and
- (g) the other factors that are taken into consideration in determining the size of the civil service pay adjustment under the prevailing annual pay adjustment mechanism, such as budgetary considerations, state of the economy, changes in the cost of living, the views of staff as well as staff morale, will continue to be given due consideration under the improved mechanism for determining and adjusting civil service pay.

1.2. The purpose of this consultancy is to develop a feasible and detailed methodology for conducting a pay level survey in a credible and professional manner having regard to the relevant policy considerations and guiding principles. The scope of the consultancy does not include making recommendations on how the survey findings should be applied. The development of the pay level survey methodology represents the first phase of a two-phase process. In the second phase, the Civil Service Bureau (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 methodology of the pay level survey, this consultancy is required to address the following issues:

- (a) relevant factors that need to be taken into account in making pay comparisons between private sector jobs and civil service jobs at different levels, e.g. job nature, specific qualification requirements for certain jobs, differences in remuneration policies and practices as well as in organisation structure between the two sectors, etc.;
- (b) selection of a representative sample of civil service jobs and private sector jobs for effective pay comparison;
- (c) criteria for selection of private sector organisations to be covered in the survey;
- (d) detailed methods and processes for collecting information from private sector organisations participating in the survey;

- (e) approach to analysing pay data collected in the survey to provide reasonable estimates of comparable private sector pay levels for civil service jobs; and
- (f) initial advice on the design of the other constituent components of the improved civil service pay adjustment mechanism (e.g. the pay trend survey methodology) having regard to the detailed methodology of the pay level survey to be devised in order to ensure that various constituent components will work in co-ordination under the improved mechanism.

1.4. In addition, the consultant is required to have regard to the following considerations in drawing up the survey methodology:

- (a) the need to take full account of all the relevant policy considerations guiding the development of the improved civil service pay adjustment mechanism (see paragraph 1.1 above);
- (b) the established principle of maintaining broad comparability rather than strict comparability between civil service pay and private sector pay, considering the differences in the nature of operation, appointment/remuneration practices, as well as the job nature and requirements between the civil service and the private sector;
- (c) the existing internal pay relativities among civil service grades and ranks, derived from the qualification groups, which help maintain a degree of consistency and fairness in determining the pay levels for a diverse range of grades and ranks;
- (d) the need to examine different possible approaches to conducting a pay level survey, each with its own advantages and disadvantages before identifying the recommended approach;
- (e) the need to seek and take into account the views of the Steering Committee on Civil Service Pay Adjustment Mechanism (Steering Committee), the Consultative Group on Civil Service Pay Adjustment Mechanism (Consultative Group) and other relevant parties; and
- (f) the emphasis of the pay level survey on making a comparison of pay rather than collection of detailed information on and valuation of benefits and perquisites.

1.5. In developing the recommended methodology of the pay level survey, the consultant has held extensive discussions with the Steering Committee which comprises selected members drawn from the three advisory bodies on civil service salaries and conditions of service³, the Consultative Group which comprises representatives from the staff sides of the four central

³ The three advisory bodies on civil service pay 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.

consultative councils and the four major service-wide staff unions, and the CSB. This final report sets out the consultant's recommendations after taking into consideration and addressing the views expressed by the relevant parties.

Key Issue Areas

1.6. This consultancy has sought to address a number of major issue areas as set out below:

- (a) achieving comparisons of civil service benchmark jobs with broadly comparable private sector jobs having regard to the inherent differences between the two sectors, and ensuring that comparisons are reasonable, fair and consistent (see Section II of this report);
- (b) defining criteria for selection of civil service jobs for which broadly comparable private sector jobs/positions will be surveyed (see Sections II and III of this report);
- (c) defining criteria for selection of private sector organisations to be included in the survey field (see Section IV of this report);
- (d) scope and methods for data collection that balance the need for comprehensive information with data collection efficiency (see Sections V and VI of this report);
- (e) data analysis methods that relate data collected from each organisation back to the relevant civil service pay scales for comparison (see Section VII of this report); and
- (f) implications for the other constituent components of the civil service pay adjustment mechanism, such as the pay trend survey (see Section VIII of this report).

This final report describes alternative approaches considered in addressing these issues as well as our recommendations.

Terminology

1.7. For the purposes of this final report, the term “private sector organisations” should be interpreted broadly as including any non-government organisation regardless of ownership and nature of business or operations (e.g. public or private, local or multinational, profit-making or non-profit-making).

1.8. Unless the context indicates otherwise, the term “job” should be interpreted broadly to refer to a group of positions with similar nature of job accountabilities, similar requirements for qualification or working experience, or both and should not be confused with a “position” occupied by a single incumbent that may have a very specific set of duties which may differ from the duties of other positions. For the civil service, a “job” refers to a rank within a grade.

1.9. The term “benchmark jobs” refers to the jobs selected to be included in the survey field for pay comparison in the pay level survey. “Civil service benchmark jobs” and “private sector benchmark jobs” refer to such selection of civil service jobs and private sector jobs respectively. Other terms used in this report are defined in the glossary at **Annex A**.

Trial Survey

1.10. The scope of this phase one consultancy includes a trial survey. The purpose of the trial survey is to find out how the recommended methodology will work in practice so as to ascertain the feasibility of the proposed survey methodology.

1.11. The trial survey consists of two parts. The first part involves testing the alignment of private sector jobs with the proposed civil service benchmark jobs and the data collection process with three private sector organisations that could potentially participate in the survey. The second part involves testing various alternative methods for data analysis by checking the work steps involved.

1.12. **Annex F** explains the trial survey process and presents the findings on the feasibility of various aspects of the proposed survey methodology.

II. Methodology for comparing jobs in the civil service and the private sector and selection of benchmark jobs

Summary

Four alternative approaches for comparing jobs are considered – the job matching method, the job family method, the job factor comparison methods and the qualification benchmark method. We **recommend** adopting the broadly-defined job family method for comparison between civil service pay levels and private sector pay levels and the qualification benchmark method for comparison specifically of starting salaries between the two sectors.

We **recommend** the broadly-defined job family method as it is better able than the other three job comparison methods to meet the objective of the pay level survey. Through this method, we can identify a range of jobs that are broadly representative of the civil service while at the same time enabling a comparison of jobs in the civil service and the private sector that are broadly comparable in various job aspects (e.g. job content, work nature, level of responsibility and typical requirements on qualification and experience). On the selection of benchmark jobs for the overall pay level survey, the survey should cover civil service benchmark jobs that meet the recommended selection criteria to ensure that they are representative of the civil service and have reasonable private sector matches. We **recommend** that certain civil service grades/ranks should be excluded from the survey field in the absence of comparable jobs in the private sector. These civil service grades/ranks are: disciplined services grades, those non-directorate civilian grades without private sector counterparts and civil service ranks on the directorate pay scales. In addition, we **recommend** that the grades in the medical and health care field, the education field and the social welfare field be excluded from the survey field as benchmark jobs because the private sector organisations where we can find reasonable counterparts for these grades will be excluded from the survey field on the ground that many of these organisations use civil service pay scales or civil service pay adjustments as major factors in determining the pay levels or the pay adjustments for their staff or have done so in the past five years.

We **recommend** that as part of the pay level survey, a starting salaries survey be conducted using the qualification benchmark method. It will compare the benchmark pay in each civil service qualification group with the starting salaries of those entry-level jobs in the private sector with similar requirements on qualification and experience. For this purpose, only data on the starting salary paid to an employee after the confirmation adjustment at the end of his probation period (if any) and within his first year of employment will be collected. Only entry-level jobs in the private sector will be surveyed. Having regard to the experience gained in the Starting Salaries Review 1999 and the common entry requirements in the private sector, nine civil service qualification groups have been selected for inclusion in the survey field. We **recommend** that the data collection and analysis processes for the starting salaries survey will follow the approaches to be adopted for the overall pay level survey (i.e. collecting different cash compensation elements and adopting the typical organisation practice approach to consolidate data for comparison) to ensure consistency in the data collected for the two surveys.

Job comparison methods

2.1. The prerequisite for obtaining private sector pay information that may be broadly compared to civil service pay information is to establish a method that ensures that the private sector jobs selected for the survey are broadly and reasonably comparable to civil service jobs. Different degrees of comparability can be defined, e.g. -

- (a) close similarity of job nature and content – same discipline or skill group, highly similar accountabilities or duties, same educational requirement and need for working experience. For example, comparing a geotechnical engineer to other geotechnical engineers; and
- (b) broad similarity of job accountabilities – jobs may differ in discipline or skill group but are comparable in the general nature of accountabilities. For example, comparing a geotechnical engineer with a human resources manager because both use comparable levels of specialised expertise to analyse information, assess compliance with standards or policies, develop procedures or methods, etc.

2.2. Between these two distinct approaches, other degrees of comparability can be achieved. For example, geotechnical engineers can be compared to engineers of any discipline (e.g. civil engineers, electrical engineers, mechanical engineers, building services engineers, etc.). The discussion that follows considers several models of determining comparability of jobs before presenting a recommended approach. All are equally valid if executed professionally but they reflect different concepts of comparability of pay levels, would require different processes to implement and would yield different statistics on pay comparability. The criteria for assessing the feasibility and suitability of the different approaches for determining comparability of jobs include -

- (a) Does the approach result in the selection of a sample of jobs that is reasonably representative of civil service jobs? Does the approach result in the selection of a sufficient number and diversity of private sector jobs to be representative of pay levels in Hong Kong?
- (b) Is the approach effective in selecting broadly comparable jobs from the two sectors having regard to the differences in the work nature and job requirements in the two sectors?
- (c) Does the approach provide effective tools to collect sufficiently detailed information to provide a comprehensive picture for pay comparison between the two sectors?
- (d) Can the same approach be applied at all levels and for all types of jobs in the civil service or do we need to adopt more than one approach?
- (e) Is the approach replicable and consistent, i.e. broadly comparable job matches will be achieved between the civil service and the private sector each time the pay level survey is conducted?
- (f) Is the approach easy to understand?
- (g) Can the approach be implemented by the consultant selected to conduct the pay level survey (Survey Consultant) with reasonable

effort and time? Does the approach require special skills or knowledge to implement? Does it rely on proprietary techniques?

2.3. It is important to emphasise at the outset that there are inherent differences in the nature of operation, job requirements as well as the appointment/remuneration practices between the civil service and the private sector. Regardless of which job comparison method is adopted, it will be neither practical nor appropriate to seek a precise comparison between the pay of an individual civil service job with the pay of its private sector counterparts in the pay level survey. Nor is there a perfect job comparison method that can address all the inherent differences in the job comparison. In support of the established policy of broad comparability between civil service pay and private sector pay, the pay level survey should aim to obtain private sector pay data in a professional manner, based on comparisons of groups of broadly comparable jobs, in order to establish the extent to which civil service pay is broadly comparable to private sector pay. Hence, in this consultancy we aim to identify the most appropriate job comparison method which is most able to meet the objective of the pay level survey. When the Administration makes a decision on any necessary adjustment to civil service pay following the pay level survey, it will take into account the survey results as well as other relevant factors, including those inherent differences between the civil service and the private sector that cannot be directly addressed in the pay level survey as well as other relevant policy considerations.

2.4. The following paragraphs discuss four alternative approaches to identifying appropriate matches between civil service jobs and private sector jobs for the pay level survey, each with a description of its merits and shortcomings.

Summary of Alternative Approaches for Identifying Job Matches

1. **Job Matching Method:** Comparing civil service benchmark jobs with those private sector jobs that are highly similar in job nature and content.
2. **Job Family Method:** A variation of the job matching method by putting similar jobs together into a family of jobs in a hierarchy of job levels for job comparison purpose. The jobs in the same job family may be related by discipline, function or nature of work. Job families may be defined in narrow terms such as the Engineer Job Family or in broad terms such as the Secretarial and Clerical Job Family.
3. **Job Factor Comparison Methods:** Comparing jobs, regardless of function or specialisation, of the same range of scores which are assessed by a job evaluation methodology on the basis of a number of specified job factors (e.g. accountability, problem solving, technical know-how, etc.).
4. **Qualification Benchmark Method:** Comparing groups of jobs based on similarity of entry requirements rather than the accountabilities or duties of the jobs.

Job Matching Method

2.5. The job matching method requires the selection of civil service benchmark jobs that are highly similar in job nature and content to their private sector counterparts. The process for implementing this approach includes:

- (a) selecting a set of civil service benchmark jobs likely to have close private sector counterparts and covering all relevant pay levels;
- (b) obtaining the up-to-date information on the job characteristics of the proposed benchmark jobs; and
- (c) preparing standardised job descriptions in a format suitable for use as a job-matching tool in the private sector.

2.6. The merits and shortcomings of this approach are summarised in **Table 1** below.

Table 1: Merits and shortcomings of the job matching method

Merits	Shortcomings
<ul style="list-style-type: none"> – Clearly-defined civil service jobs form the basis of comparison. – Based on detailed job descriptions and requiring no special or proprietary techniques in carrying out job matching. – Can be applied at most levels of the relevant civil service pay scales (except the most senior job levels). – Qualification and experience requirements can be incorporated directly into the job matching process as these are included in standard survey job descriptions. – Easy to understand and easy to replicate because the same job matches can be used when the survey is repeated. – Efficient from the perspective of execution of the pay level survey. 	<ul style="list-style-type: none"> – Under this approach, there are difficulties in finding close matches between civil service jobs and private sector jobs because of the differences in the mode of operation and organisation structure between the two sectors. – As only private sector jobs that can be closely matched with civil service jobs are included in the survey field, the jobs that are covered may scatter among a diverse range of private sector organisations, making selection of organisations in the survey field more difficult. – A level of judgment and expertise is still required to achieve accuracy of job matches because of differences in the nature of jobs in the civil service and the private sector. – Cannot reflect private sector pay practices applicable to jobs that have no close counterparts in the civil service. This may, to a certain degree, undermine the effectiveness of the survey results as a broad benchmark reference of private sector pay levels for comparison with the pay scales of broadly comparable civil service jobs.

2.7. The key merit of the job matching method is that it is simple to understand and, as a method of conducting a pay level survey, relatively simple to implement. The shortcomings can be summarised as follows:

- (a) there are difficulties under the job matching method in finding close matches between civil service jobs and private sector jobs

because of the differences in the mode of operation and organisation structure between the two sectors; and

- (b) Not only does this approach exclude jobs that exist in the civil service but without close counterparts in the private sector, it also excludes the many jobs that exist in the private sector but have no exact counterparts in the civil service.

2.8 The implications of these shortcomings are:

- (a) As only close matches are covered, the benchmark jobs to be covered may be scattered over many different organisations, so a larger survey field may be required. Even with a larger survey field, some functions or disciplines may only be represented by a limited sample of job data;
- (b) As the data of each match between a civil service job and the corresponding private sector job is not combined but treated independently for data analysis, we need to agree on a reasonable basis for aggregating the data to reflect the overall private sector pay levels;
- (c) As only a limited number of civil service benchmark jobs will have close private sector matches, the survey field may not be sufficiently representative of the civil service as a whole; and
- (d) The limited number of close job matches between the two sectors may also undermine the representativeness of the survey findings as a broad indicator of how the private sector pay levels compare with the civil service pay levels.

Job Family Method

2.9. The job family method is a variation of the job matching method. This approach combines or clusters similar jobs together into a family of jobs to form a hierarchy of job levels (e.g. selecting several adjoining ranks in a civil service grade such as Assistant Engineer, Engineer and Senior Engineer instead of selecting a single job such as Senior Engineer, or selecting a range of jobs related by function, discipline or nature of work such as the Works-related family). The process for implementing this approach includes:

- (a) identifying jobs that are representative of the civil service and perform a preliminary check on the availability of private sector matches;
- (b) analysing the proposed civil service ranks that have reasonable private sector matches and grouping together those with similar characteristics in terms of function, discipline or nature of work, etc. into the same job family;

- (c) identifying a hierarchy in each job family from the simplest job to the most complex and relating these job levels to relevant ranges in the civil service pay scales; and
- (d) preparing job descriptions for identifying private sector jobs that are reasonably and broadly comparable to the civil service benchmark jobs, and matching them into each of the relevant job families at the relevant job level.

2.10. The job family method can have two variations depending on the focus of the job categorisation:

- (a) a narrowly-defined job family method: jobs in the same discipline and with similar job nature and categorised into the same job family, e.g. Assistant Engineer, Engineer, Senior Engineer belong to the same job family; and
- (b) a broadly-defined job family method: jobs which share broad similarity in job nature or the functions they perform can be included in the same job family.

2.11. Under the job matching method, civil service jobs are matched with closely similar private sector jobs in terms of job nature and content. Under the job family method, the job comparisons can be more broadly based. For example, the civil service Executive Officer grade, members of which perform different functions (e.g. human resources management, customer services and financial management) during their career, does not have an exact counterpart in the private sector where these functions are typically performed by specialists in the various disciplines. Under the job family method, the Executive Officer grade can be matched with a range of private sector jobs that respectively engage in similar functions normally undertaken by the Executive Officer grade as set out above. If these private sector jobs can be broadly aligned with civil service jobs, then more data can be collected from a larger pool of jobs that exist in the private sector. The aggregated pay of the matched private sector jobs will then be compared to the relevant range of pay points on the civil service pay scales at different job levels. In view of the foregoing, as compared with the job matching method, a broader range of civil service benchmark jobs and private sector benchmark jobs could be covered under the job family method to facilitate the pay comparison process.

2.12. The merits and shortcomings of the job family method are presented in **Table 2**.

Table 2: Merits and shortcomings of job family method

Merits	Shortcomings
<ul style="list-style-type: none"> – Facilitates a comparison of a broader range of jobs in the civil service and the private sector. There will be a wider representation of civil service jobs in different disciplines and functions and more private sector jobs in each organisation to be surveyed. The method will better reflect the pay practice of a group of jobs with broad similarity in job nature and functions. – There will be a wider representation of civil service jobs from different range of pay points on the civil service pay scales. More data will be obtained from private sector jobs of different job levels sharing similar job characteristics for comparison with these civil service jobs. This will mean that the survey findings can better reflect on the whole how private sector pay compare with the civil service pay scale at different levels. – Job families are defined according to the nature of jobs in the civil service. Job alignment in the private sector is based on specific job descriptions that highlight job characteristics. No special or proprietary techniques are required in carrying out job matching. – Qualification and experience requirements can be incorporated directly into the job matching process as these are included in standard survey job descriptions. – Simplifies job matching from the private sector perspective as a range of jobs in the same job family at different job levels are available for matching. 	<ul style="list-style-type: none"> – It gives a wider representation of civil service jobs in different disciplines and functions but the private sector counterparts of these jobs may vary in the extent of comparability. – As comparisons of civil service jobs and private sector jobs are based on broader comparisons rather than exact job-for-job comparisons, job matches may not be as obvious and immediately understood as compared with the job matching method based on exact matches. – As the job matches are not based on precise counterparts, the process of identifying private sector counterparts would involve a greater measure of judgment than the job matching method, which is limited to close matches.

2.13. The major merit of the job family method as compared with the job matching method is that it facilitates a comparison of a broader range of jobs in the two sectors. The inclusion of a wide range of civil service benchmark jobs in the survey field helps ensure that these benchmark jobs would collectively be more representative of the civil service as a whole. More data will be collected from private sector jobs. A broader representation of jobs in the two sectors will give a more accurate reflection of how private sector pay levels compare with the relevant range of pay points on the civil service pay scales at different levels.

2.14. The shortcomings of this more flexible approach are that the comparability of the job matches may not be as obvious to establish as those under the job matching method. 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 and work nature) for identifying private sector comparator jobs, exercising judgment to ensure 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.

Job Factor Comparison Methods

2.15. Job factor comparison methods are based on research that found certain common factors exist in all jobs at different levels of complexity or intensity. Under these comparison methods, the relative value or intensity of each factor in relation to each selected job is determined. Based on the overall value or point pertaining to each selected job, a pay comparison is then made.

2.16. Job factor comparison methods are often proprietary. The Hay Guide Chart-Profile Method used in the 1986 Pay Level Survey for the civil service is one example of such a method, but other human resources consulting firms have methods of their own and some organisations develop their own variations of this approach. Therefore, for the present discussion, we have considered job factor comparison methods in general.

2.17. Examples of job comparison factors drawn from various methodologies include but are not limited to:

- technical or specialised know-how
- education or experience requirements
- people management skills
- functional breadth or complexity of management
- internal and external relationships
- thinking processes
- decision-making authority
- impact on results
- conditions such as exposure to risk, physical effort or noxious conditions

Annex B contains a brief summary of the job factor comparison method used in the 1986 Pay Level Survey, the criticisms made of the methodology by the staff representatives and relevant comments from the Committee of Inquiry report.

2.18. The major steps for implementing a job factor comparison method include:

- (a) selecting a representative sample of benchmark jobs from each discipline, profession or functional group across different job levels of the civil service;
- (b) rigorously analysing each selected job and then evaluating it using the methodology to arrive at a rating represented by a number of score points. The participants in the evaluation process would usually include the consultant (as methodological expert), management (e.g., CSB representatives and grade management representatives), and possibly job-holder representatives as well;
- (c) aligning civil service jobs with private sector comparable jobs with a similar range of evaluation points; and
- (d) relating the pay levels of the private sector comparable jobs to the corresponding range of pay points on the civil service pay scales of the civil service benchmark jobs for pay comparison.

2.19. The merits and shortcomings of this method are shown in **Table 3**.

Table 3: Merits and shortcomings of the job factor comparison methods

Merits	Shortcomings
<ul style="list-style-type: none"> – Can cover a wide range of civil service jobs which share certain common job factors with private sector jobs, i.e. not limited to jobs that are either closely or broadly comparable to private sector jobs in terms of job content and job characteristics. – As the methodology can be applied to any job in the private sector, the range of private sector jobs that can be covered in the pay level survey is widened and more private sector pay data are available for collection. – Allows for a more quantitative analysis in comparisons and analyses of jobs relative to the job 	<ul style="list-style-type: none"> – It will take time to agree on the relative weightings of the job factors, to carry out the job evaluation for individual civil service benchmark jobs and private sector jobs and to reach consensus with stakeholders on the evaluation scores for the civil service benchmark jobs. – 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. Depending on how detailed the methodology for allocating evaluation points is and the scope for subjective judgment in this regard, there may

Merits	Shortcomings
<p>matching method and the job family method because the relative score for each factor in relation to different jobs as well as the total evaluation scores for different jobs can be ascertained for pay comparison purpose.</p> <ul style="list-style-type: none"> - The use of job factor comparison methods also allows for explicit consideration of differences in the organisation structure or other related features between the civil service and the private sector, to the degree those features can be accounted for in the job factors used in the chosen method. 	<p>be criticism of subjectivity of this approach.</p> <ul style="list-style-type: none"> - Given that there are certain factors unique to civil service which may not exist in the private sector and may not be readily evaluated by the method, if there is a wide variation in the evaluation scores for civil service benchmark jobs currently with a similar range of pay points, it may be difficult to agree on a relationship between the job evaluation points and the corresponding civil service pay level. It may also as a result be difficult to relate the private sector pay data to the civil service pay scales for pay comparison purpose. - The methodology must be applicable commonly across private sector organisations and across civil service ranks and therefore may not include every job factor that is deemed important within the civil service (e.g. accountability to public). - Selection of a specific job factor comparison method is tied to the particular consultant appointed to carry out the survey because proprietary techniques are involved (unless civil service develops its own job factor comparison method). - The scope of data available for collection from private sector organisations is potentially very large as any and all positions at a given job level can be analysed with the job factor comparison method. This may create a heavy burden on participating organisations.

2.20. A major merit of the job factor comparison methods is that they allow cross-functional, cross-discipline comparisons between civil service jobs and private sector jobs without limiting the comparison to jobs that are

comparable in terms of specific job content. Nonetheless, comparisons must be based on evaluation of job factors that are commonly found among private sector organisations and among civil service jobs. Thus, the comparisons may not cover every job factor deemed important in the civil service (e.g. accountability to public). The main shortcomings of the job factor comparison methods relate to the complexity of the process to make job comparisons and to achieve consensus about the job evaluation outcomes.

Qualification Benchmark Method

2.21. This is the approach currently used in determining the starting pay for entry-level positions in the civil service based on qualification groups⁴. The process for implementing this approach includes surveying private sector organisations on starting salaries for positions that have the same requirements on education, apprenticeship, previous working experience or certifications without regard to specific job duties.

2.22. The approach is unlikely to be suitable for pay comparison for jobs beyond the entry level because relatively few private sector organisations explicitly regulate progression to higher level jobs based on entry requirements.

2.23. The qualifications for entry-level positions are normally included in the job descriptions used in the job matching method and the job family method. It is observed that in the private sector, the starting salary for entry-level jobs is often more related to qualification requirements than the job nature or work content of the particular positions in question. In view of this, the qualification benchmark method may be used to ascertain the level of starting salaries as part of the overall pay level survey in combination with one of the other job comparison methods. The pay data thus obtained can be used to re-assess the benchmark pay (and in turn the relevant pay point) for the relevant qualification groups in the civil service.

Assessment of Alternatives

2.24. The four job comparison methods mentioned above share a number of common characteristics:

- (a) Under all four approaches, the comparison of civil service jobs and private sector jobs involves the exercise of judgment. Such judgment must be made according to a credible and well-structured methodology and related guidelines.

⁴ In order to maintain fairness and consistency in setting the pay scales of a diverse range of civil service recruitment ranks under a centrally administered pay system, a uniform approach has been adopted in determining the pay scales of individual recruitment ranks by reference to the entry qualification requirements (as reflected in the benchmark pay for the relevant qualification group) and other special considerations (e.g. job requirements and recruitment difficulty) which may justifiably be compensated.

- (b) All approaches require reliance on the organisation that performs the pay level survey to accurately match jobs from the private sector to civil service jobs, regardless of whether the job matching method, the job family method, or the job factor comparison method is adopted.
- (c) All approaches will potentially reveal differences in the pay relativities among the civil service jobs on the one hand and private sector jobs on the other. Such differences should be further analysed and addressed as appropriate as a separate exercise from the upcoming pay level survey, as explained in paragraph 2.41 below.
- (d) Factors used in the job factor comparison methods must be common to both the civil service and the private sector and would therefore exclude any job factors that may be unique or important in the civil service. As these job factors are not present or important in the private sector, they cannot be accounted for in the job alignment process under the job matching method or the job family method either.

2.25. We have assessed the four job comparison methods in the light of the criteria described in paragraph 2.2 above.

2.26. The job matching method is readily understood and simple in concept, but the methodology is limited by the range of civil service jobs that have close matches in the private sector. A review of civil service grades and ranks indicates that a pay level survey limited to job matches based only on close similarity in job content may not be representative of the breadth of disciplines and depth of job levels found in the civil service. The job matching method, therefore, does not meet criterion (a) listed in paragraph 2.2 above.

2.27. The job factor comparison methods have the merit that they do not limit the selection of private sector jobs to those with similar content as corresponding jobs in the civil service. But in view of the differences in job nature, a survey method that compares benchmark jobs of widely different disciplines based on an assessment of job factors will rely on experienced and well-trained experts to fully realise its potential merits. Evaluating jobs in an organisation that has no experience in using job factor comparison methods would be a complex and time-consuming process. It would take time to agree on the relative weightings of individual job factors and to reach consensus with stakeholders on the evaluation scores for the civil service benchmark jobs. Compared with other job comparison methods, the job factor comparison methods are least able to meet the criteria (f) and (g) listed in paragraph 2.2 above.

2.28. Furthermore, job comparison under the job factor comparison methods must be based on job factors that are common to both the civil service and the private sector. Although factors that take account of the unique job nature of certain civil service jobs, such as those found in the

disciplined services, could be used, these factors would not provide a valid basis for direct pay comparison purposes because the additional points assigned on account of these factors may not be rewarded on the same basis as the same number of points assigned on account of the common factors.

2.29. The qualification benchmark method is mainly suitable for a pay survey of the starting salaries of entry-level positions. It does not provide a sound basis for pay comparison of promotion ranks in the civil service, or even the upper range of the pay scale of an entry rank.

2.30. The job family method has the merit that it is relatively simple and easy to understand as compared with the job factor comparison method, and that it allows a systematic comparison of a broader range of jobs embracing a larger proportion of the total establishment of the civil service and a wider range of job functions, as compared with the narrower scope of jobs that can be covered under the job matching method.

Recommendation on the Job Comparison Method

2.31. As mentioned in paragraph 2.2(d) above, we have considered whether we need to adopt more than one method for carrying out a comprehensive pay level survey. We consider that a distinction should be drawn between a comparison of the overall pay levels and a comparison of the starting salaries between the civil service and the private sector in view of the differences in focus. A starting salaries survey focuses on ascertaining the pay levels of jobs with similar requirement on qualification and experience, which is a key factor in determining the starting salaries. An overall pay level survey compares the pay levels of jobs that are broadly comparable in terms of various job-related factors (e.g. job content, work nature, level of responsibility and job requirement). To provide a coherent and consistent picture of pay comparison between the civil service and the private sector, we **recommend** that a starting salaries survey be carried out as a sub-set of the overall pay level survey. The survey of starting salaries would be used to re-assess the benchmark pay (and in turn the relevant pay point) for the relevant civil service qualification groups.

2.32. Having examined the relative merits and shortcomings of the four possible methods against the criteria listed in paragraph 2.2 above, we **recommend** to adopt the broadly-defined job family method to obtain private sector pay data for ascertaining whether civil service pay is broadly comparable to private sector pay and to adopt the qualification benchmark method for comparing specifically the starting salaries between the two sectors. Further reasons for recommending the adoption of the above two methods are explained in paragraphs 2.33-2.35 and 2.53-2.55 respectively.

2.33. As pointed out in paragraph 2.3 above, in view of the inherent differences between the civil service and the private sector, there is no perfect job comparison method that can address all the differences and relevant issues in the job comparison. We should therefore aim to identify the most appropriate method that is best able to meet the objective of the

pay level survey and to address the policy and technical considerations arising from a pay level survey. We consider that in overall terms and having regard to all the inherent difficulties and limitations of making a comparison between civil service pay and private sector pay, the broadly-defined job family method, with certain adjustments (see **Table 4** below), is better suited than the other job comparison methods for the purpose of the pay level survey. As compared with other job comparison methods, the broadly-defined job family method with job matches broadly comparable in various aspects facilitates a wider representation of the civil service as compared with the job matching method (the survey field of which is limited to close matches) and provides a more clearly defined framework for job alignment as compared with the job factor comparison methods (which are not so easily understood and involve a greater degree of judgment in the job evaluation process as well as difficulty in reaching a consensus on the evaluation results).

2.34. Under the broadly-defined job family method, civil service benchmark positions will be matched with private sector jobs that are broadly comparable in terms of job content and work nature as well as level of responsibility and typical requirements on qualification and experience. As a result, a fairly wide spread of private sector counterparts can be identified for civil service benchmark jobs that are together reasonably representative of the civil service in terms of the breadth of disciplines, the depth of job levels and the range of bureaux/departments found in the civil service. A broader representation of jobs in the two sectors will allow the collection of more pay data for comparison purpose. Such pay data will give a more accurate reflection of how private sector pay levels compare with the relevant range of pay points on civil service pay scales at various levels for each job family and across all job families. In view of the foregoing, we consider that the broadly-defined job family method, which is based on an analysis of the similarities of benchmark jobs in relation to various job-related factors (e.g. job content, work nature, level of responsibility and typical requirements on qualification and experience), provides a sound and reasonable framework for selecting civil service jobs for pay comparison purpose and involves a sufficiently refined job alignment process.

2.35. Since the improved civil service pay adjustment mechanism is intended for long-term adoption in the civil service, it is important that a representative sample of jobs in the civil service can be compared with reasonably and broadly comparable private sector jobs each time the pay level survey is conducted, and that the methodology is relatively easy to implement and readily understood by civil servants and the public. We consider that the broadly-defined job family method is able to meet this requirement.

2.36. As noted in paragraph 2.14 above, a shortcoming of the job family method is that comparability of job matches may not be as obvious and easily understood as the job matching method. To ensure proper alignment of civil service jobs and private sector jobs, we **recommend** that an intensive job inspection process should be conducted for all the civil service

benchmark jobs to ascertain the details of their work nature and job characteristics. Such information would facilitate the preparation of detailed job descriptions for identifying corresponding private sector benchmark jobs. In addition, to provide a more refined basis for alignment of broadly comparable jobs and to facilitate the pay comparison process, we **recommend**, as detailed in Section III, that civil service benchmark jobs should be categorised into 5 job families and 5 job levels such that the pay of the civil service and private sector job matches that are broadly comparable in terms of job content and work nature (categorised in the same job family) as well as level of responsibility and typical requirements on qualification and experience (categorised in the same job level) will be compared.

2.37. The recommended broadly-defined job family method with the features described in paragraphs 2.34-2.36 above (e.g. aligning civil service jobs with private sector jobs which are broadly comparable in various job-related aspects; carrying out job inspection process to ascertain details of the proposed civil service benchmark jobs and in turn to facilitate the identification of private sector benchmark jobs; and categorising job matches into the respective job family and job level to have a better grasp of private sector pay levels as far as practicable) all help to ensure that the differences between the civil service and the private sector will be properly taken into account in the pay comparison. The areas in which we have recommended to further improve the broadly-defined job family method to address its relative shortcomings, in comparison with the other job comparison methods, are summarised in **Table 4** below-

Table 4

Shortcomings in comparison with the other job comparison methods	Proposed solutions to address the shortcomings
<ul style="list-style-type: none"> - Gives a wider representation of civil service jobs in each discipline and function but the similarity of these jobs with private sector counterparts may vary. 	<ul style="list-style-type: none"> - In view of the inherent differences between the civil service and the private sector and given the established broad comparability principle, the pay level survey does not aim to seek a precise comparison between the pay of an individual civil service job with the pay of its private sector counterparts in the pay level survey, but to obtain private sector pay data in a professional manner, based on comparisons of groups of broadly comparable jobs, in order to establish the extent to which civil service pay is

Shortcomings in comparison with the other job comparison methods	Proposed solutions to address the shortcomings
	<p>broadly comparable to private sector pay.. Under the proposed broadly-defined job family method, civil service benchmark jobs will be compared with private sector jobs that are broadly comparable in terms of various related factors such as job content, work nature, level of responsibility and typical requirements on qualification and experience. The method facilitates collection of data of broadly comparable private sector jobs to meet the purpose of the pay level survey.</p>
<p>– As civil service jobs are compared with private sector jobs broadly comparable, rather than strictly comparable, in various job-related aspects, job matches may not be as obvious as compared with the job matching method based on exact matches.</p>	<p>– This can be addressed by producing a list of civil service benchmark jobs with private sector matches to facilitate the understanding of the job alignment process. The list, subject to the proposed job inspection process to ascertain the details of their job characteristics and work nature, will show how benchmark jobs in the civil service and the private sector are aligned into job families based on similarity in job content and work nature and into job levels based on similarity in level of responsibilities as well as typical requirements on qualification and experience.</p>
<p>– As the job matches are not precise counterparts, the alignment process would inevitably involve a greater measure of judgment than the job matching method.</p>	<p>– In practice, we shall align jobs based on job descriptions which describe all relevant factors including job characteristics, requirement and work nature, and judgment is made to ensure that only those jobs which are</p>

Shortcomings in comparison with the other job comparison methods	Proposed solutions to address the shortcomings
	broadly comparable in all these factors will be included in the survey field.

2.38. The job family method also addresses a number of criticisms (see **Annex B**) made regarding the job factor comparison method which was adopted in the 1986 Pay Level Survey. The job evaluation process of the job factor comparison method is based on certain job factors common to civil service jobs and private sector jobs. But in the 1986 Pay Level Survey, this approach was criticised as being incomplete, subjective and open to manipulation. The job family method, on the other hand, is highly transparent because the job descriptions used in the private sector data collection process would be subject to a thorough review. The job alignment process is based on various job aspects, including job content, work nature, level of responsibility, qualifications and typical experience requirements. Such a basis of job comparison and the job alignment results are relatively easy to understand. In comparison, under the job factor comparison method, because of its technical and conceptual nature, it is relatively more difficult to communicate the basis of comparison and the comparison results to those without a detailed understanding of the job evaluation methodology.

2.39. **Table 5** sets out how the proposed broadly-defined job family method seeks to address the criticisms raised in connection with the job factor comparison method adopted in the 1986 Pay Level Survey -

Table 5

Criticisms on the 1986 Pay Level Survey : job factor comparison method	Upcoming pay level survey : broadly-defined job family method
<ul style="list-style-type: none"> - The Hay methodology took into account only three factors, i.e., know-how, problem-solving and accountability, ignoring other important factors, e.g., skill, experience, physical effort, working conditions, etc. It is subjective, prone to error and open to manipulation. There is no detailed comparison of similar jobs. It is too broadbrush. Job-for-job comparisons are preferable. 	<ul style="list-style-type: none"> - In contrast to the job factor comparison method, the proposed broadly-defined job family method does not seek to establish job comparability based on the results of a quantitative job evaluation process which takes account of only a few common job factors. Instead, civil service benchmark jobs will be matched with private sector benchmark jobs that are broadly comparable in terms of job

<p>Criticisms on the 1986 Pay Level Survey : job factor comparison method</p>	<p>Upcoming pay level survey : broadly-defined job family method</p>
	<p>content and work nature as well as level of responsibility, typical qualification and experience requirements.</p>
<p>– The Hay methodology does not take into account the special features of the police force or other disciplined services.</p>	<p>– For civil service grades/ranks which do not have reasonable comparators in the private sector (e.g. the disciplined services and certain civilian grades), the pay level survey findings will be applied to them based on the existing system of internal pay relativities in the civil service which was established based on inspection of job content and work nature in previous grade structure reviews.</p>
<p>– The civil service sample job size of the 1986 Pay Level Survey was insufficient and incomplete.</p>	<p>– Based on the proposed 5 job families and 5 job levels, we shall be able to select benchmark jobs from a fairly wide spread of civil service grades/ranks that are together reasonably representative of the civil service in terms of the breadth of disciplines, the depth of job levels and the range of bureaux/departments found in the civil service. Based on a rough estimate, the proposed categorisation framework will be able to cover about 44% of the total civil service establishment, or 73%⁵ of the remaining total civil service establishment if we do not count the establishment of the disciplined services ranks (which do not have private sector matches), the civil service</p>

⁵ As mentioned in paragraph 2.51 below, the remaining 27% of the civil service establishment are from those civil service grades/ranks which are small in establishment size (therefore not meeting the establishment size criterion referred to in paragraph 2.42 below) or do not have private sector matches.

Criticisms on the 1986 Pay Level Survey : job factor comparison method	Upcoming pay level survey : broadly-defined job family method
	ranks on the directorate pay scales (the comparison necessitates a combination of survey methodologies which will create practical challenges for data consolidation) and in the medical and health care field, the education field and the social welfare field (the private sector matches of which generally have their pay levels determined by reference to civil service pay and are thus not suitable for inclusion in the survey field).

2.40. We have considered the possibility of combining different job comparison methods for comparing the overall pay levels between the civil service and the private sector, e.g. combining the job factor comparison method and the job family method, so as to cover an even broader range of civil service jobs in the pay level survey. While different methods (broadly defined job family method and the qualification benchmark method) can be adopted for ascertaining the overall pay levels and the starting salaries in the private sector respectively, we do not recommend a combined approach for ascertaining the pay levels in the private sector beyond the entry levels as using different methods for measuring essentially the same pool of data will likely lead to practical challenges in the data consolidation and analysis process. This is because different job comparison methods are based on different assumptions and principles. For example, comparisons under the job factor comparison method are based on a similar range of scores received following job evaluations according to a number of job factors while comparisons under the job family method are based on broad similarity in various job-related aspects such as job content and work nature. The pay data obtained using one method will have to be understood and analysed by reference to the relevant assumptions and principles. If we make pay comparisons between the two sectors using these two job comparison methods, there will be methodological challenges (e.g. inconsistencies in the assumptions made) if we then try to consolidate the pay data collected under these different methods and draw conclusions on the extent of comparability between civil service pay and private sector pay.

2.41. Regardless of the job comparison method to be adopted, differences in the pay relativities among civil service jobs and among private sector jobs may be revealed in the pay level survey. Whichever approach is adopted for the pay level survey, we need to consider whether adjustments to the

existing internal pay relativities within the civil service are called for if these relativities are shown to depart significantly from the pay relativities in the private sector as shown from the private sector pay data collected. As such discrepancies in internal relativities will likely occur at the individual job level, they should preferably be addressed in the grade structure reviews for individual grades to be carried out after the completion of the pay level survey if necessary.

Criteria for Selection of Civil Service Benchmark Jobs

2.42. To ensure that the civil service benchmark jobs selected are reasonably and broadly comparable with the private sector matches and reasonably representative of the civil service, and having regard to the policy and technical considerations in conducting a credible pay level survey, we **recommend** the following criteria for selecting civil service benchmark jobs -

- (a) the civil service benchmark jobs should have reasonable counterparts, in terms of broadly comparable job nature, skills, qualifications and experience, in a large number of private sector organisations;
- (b) the civil service benchmark jobs should be representative of the civil service: each civil service benchmark grade should have an establishment size of not less than 100 posts;
- (c) taken together, the civil service benchmark jobs should be reasonably representative of various civil service pay scales, the breadth of disciplines, the depth of job levels and the range of government bureaux/departments;
- (d) there should be a sufficient number of benchmark jobs at different job levels to ensure that the survey results are reliable; and
- (e) the total number of benchmark jobs to be matched and for which private sector pay data are to be collected should be reasonable and manageable for the participating private sector organisations so as not to deter these organisations from participating in the survey.

2.43. We have considered whether those grades/ranks which were covered in the first and the second voluntary retirement schemes launched in 2000 and 2003 should be excluded from the survey field given that recruitment exercises for these grades are unlikely in the coming few years. Nonetheless, we have examined these grades and many of them are representative of the civil service in terms of their establishment size (e.g. Clerical Assistants, Personal Secretaries, etc.). As the improved pay adjustment mechanism is to be developed for long-term adoption in the civil service, we **recommend** to include as far as practicable all grades/ranks which are representative of the civil service.

2.44. In accordance with the criteria set out in paragraph 2.42 above, we have drawn up a preliminary list of civil service jobs together with their corresponding private sector job matches at **Annex C**. It should be noted that the number of civil service ranks in a grade does not necessarily correspond to the number of job levels that may be discernible in the private sector. There may be ranks in a civil service benchmark grade that do not have reasonable counterparts available in the private sector. Specific levels of private sector jobs will be selected and defined only where similarity in job content, level of responsibilities, typical requirements on qualifications and experiences between the private sector and the civil service can be identified.

2.45. We should point out that the job matching will be based on the job content, level of responsibility, work nature, etc. as defined in the job descriptions for job alignment purposes, not on job titles which vary considerably within the private sector and between the private sector and the civil service.

Scope of Survey Field

2.46. Having regard to the proposed criteria for selection of civil service benchmark jobs as set out in paragraph 2.42 above, we **recommend** that disciplined services jobs should not be included in the survey field. Like some other civilian civil service jobs, there are no reasonable private sector counterparts for these jobs for job comparison under the job matching method or the job family method. Under the job factor comparison method, evaluation of “special factors” (e.g. exposure to danger, risk, etc.) that are unique to the civil service disciplined services ranks will not yield any meaningful data for pay comparison with private sector jobs for which there is no such evaluation on these “special factors”. In addition, we **recommend** that the civil service grades in the medical and health care field, the education field and the social welfare field be excluded from the survey field as benchmark jobs because most of the private sector organisations where we can find reasonable counterparts for these grades will be excluded from the survey field on the ground that these organisations use civil service pay scales or pay adjustments as major factors in determining pay levels or pay adjustments or have done so in the last five years (see the relevant criteria in **Table 9** below). Besides, the establishment size of these private sector organisations often are too small to provide pay data representative of the pay levels of the jobs in their respective field. In view of the foregoing, we **recommend** that the disciplined services ranks, the civil service jobs in the education field, the medical and health field and the social welfare field as well as other civilian civil service jobs which do not meet our selection criteria (e.g. have less than 100 posts) or do not have reasonable counterparts in the private sector (e.g., Air Traffic Control Officers or Hawker Control Officers) be excluded from the survey field.

2.47. We note that some of the private sector organisations in the medical and health care field, the education field and the social welfare field do not necessarily make reference to civil service pay scales or civil service pay

adjustments in setting and adjusting the pay levels of their staff, or have ceased to do so in recent years. We have nevertheless recommended exclusion of the civil service jobs in all these fields from the survey field as benchmark grades in the light of the following considerations –

- The civil service and the public sector organisations in these fields including the Hospital Authority for the medical and health care field, non-governmental organisations for the welfare sector and aided schools for the education sector) are by far the largest employers of jobs in these fields and the pay levels of many of the staff in these public sector organisations are determined under the significant influence of the civil service pay scales and pay adjustments, if not making direct reference to them. For instance, the pay market for these occupations may be significantly affected by government policy besides civil service pay scales – e.g., policies on subvention, etc.
- While the pay of some of these private sector organisations may have been de-linked from civil service pay scales (e.g., subvented social services providers), this was done only recently and the actual pay levels may still reflect the legacy of civil service practices.
- Those organisations which do not make reference to civil service pay scales and pay adjustments (e.g. private schools, clinics and private hospitals) constitute a small number of organisations in these fields and the numbers of staff employed by them are relatively small. Data on their pay practice would not therefore be representative of the typical pay practice in these sectors. Besides, not many of these organisations meet the selection criterion that the surveyed organisations should normally employ 100 or more staff;
- In some cases, pay may be set with regard to conditions outside Hong Kong (e.g., the pay for teachers in international schools);

2.48. We also **recommend** that the survey field of the upcoming pay level survey should also exclude civil service ranks on the directorate pay scales. Job comparisons for directorate positions will almost certainly need to be made using a different job comparison method (viz. the job factor comparison method) because few direct private sector counterparts will be available especially at the senior levels of the directorate. The 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. In addition, 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. The confidentiality consideration may also cause potential private sector participants to withdraw from the survey in its entirety. This will then raise the question of whether the data collected from a smaller sample size would be representative.

2.49. We have considered the option of partially including some of the civil service jobs on the directorate pay scales which to a reasonable extent may have private sector counterparts (e.g., works professionals at Directorate Pay Scale Pay Point 1 (D1)). We do not recommend such partial inclusion. Including only D1 positions from a selected number of job families in the survey field will give rise to the question of how representative the data of the private sector benchmark jobs are. More importantly, there are still elements of the jobs at D1 level that cannot be directly compared with the private sector, e.g. the policy-making role of these jobs.

2.50. In view of the technical challenges that may arise if we are to include the directorate positions in the survey field, we **recommend** not to cover directorate positions in the pay level survey, but the survey results should be applied to the directorate positions based on the existing system of internal pay relativities. The Government may consider conducting a pay review for the directorate positions as a separate exercise after the completion of the current exercise.

Representativeness of Civil Service Jobs

2.51. One test of the validity of the pay level survey is that the survey field should cover jobs that are representative of the civil service and together these benchmark jobs should be representative of various civil service pay scales, the breadth of disciplines, the depth of job levels and the range of government bureaux/departments (see paragraph 2.42 above). The proposed civil service benchmark jobs as shown in **Annex C** represents about 44% of the total civil service establishment. If excluding jobs which obviously do not have private sector matches (e.g. the disciplined services and the civil service ranks on the directorate pay scales) as well as those civil service jobs the private sector matches of which generally have their pay levels determined by reference to civil service pay (including civil service ranks in the medical and health care field, the education field and the social welfare field), the selected civil service benchmark jobs already represent as much as about 73% of the remaining civil service establishment. The remaining civil service jobs which have been excluded from the survey field mostly belong to small grades/ranks (therefore not meeting the establishment size criterion which seeks to ensure that benchmark jobs are representative of the civil service) or do not have private sector matches.

2.52. In selecting civil service benchmark jobs, we have taken account of the availability of sufficient private sector jobs for a reasonable comparison. We have also considered the feasibility of having a sufficient number of such private sector jobs to be covered in the survey field to represent the pay practice of these jobs. Therefore, the preliminary list of civil service benchmark jobs and their corresponding private sector matches as shown in **Annex C** should provide a reasonable framework for job alignment.

Starting Salaries Survey

Purpose of starting salaries survey

2.53. The overall pay level survey covers all civil service benchmark jobs including both entry ranks (e.g. Executive Officer II) and promotion ranks (e.g. Executive Officer I) so as to provide a broad-brush comparison of the relevant range of pay points on the civil service pay scales with private sector pay ranges for a group of broadly comparable jobs. But as mentioned in paragraph 2.31 above, in view of the different considerations in determining and adjusting the starting salaries and the pay above entry-level, a starting salaries survey is required as part of the pay level survey to specifically compare the starting salaries of entry-level jobs in the civil service and the private sector with similar typical requirements on qualifications and experience. It should be seen as a sub-set of the overall pay level survey to provide supplementary pay information specifically on the starting salaries.

Methodology

2.54. Over the years, the starting salaries of civil service ranks have been determined by adopting the qualification benchmark method, which involves establishing benchmark pay points for the starting salaries of civil service jobs with similar qualification requirements for appointment to the civil service (which are categorised into the same civil service qualification group⁶) by reference to the pay for private sector jobs requiring similar qualifications. The starting pay for an entry rank is then set with reference to the relevant benchmark pay of its respective qualification group as well as other factors relating to the job nature of that particular rank. The qualification benchmark method was adopted for the Civil Service Starting Salaries Review 1999 to review the benchmark pay for all civil service qualification groups.

2.55. The qualification benchmark method offers a practical framework to compare civil service starting salaries with the pay level of entry-level jobs in the private sector by reference to similar entry requirements on qualification and experience, which is a primary factor governing starting salary. We consider that the qualification benchmark method remains relevant and feasible and **recommend** adopting this methodology for the starting salaries

⁶ At the time when the Civil Service Starting Salaries Review 1999 was conducted, there were 16 qualification groups. Having regard to the experience gained in the 1999 Starting Salaries Review, the number of the qualification groups has since been reduced to 12. The existing 12 civil service qualification groups are: 1) Grades not requiring five passes in the Hong Kong Certificate of Education Examination (HKCEE); 2) School Certificate Grades; 3) Higher Diploma and Diploma Grades; 4) Technical Inspectorate and Related Grades - Higher Certificate plus experience; 5) Technician, Supervisory and Related Grades Group I : certificate or apprenticeship plus experience; 6) Technician, Supervisory and Related Grades Group II : craft and skill plus experience, or apprenticeship plus experience; 7) Grades requiring two passes at Advanced Level in Hong Kong Advanced Level Examination plus three credits in HKCEE; 8) Professional and Related Grades; 9) Degree and Related Grades; 10) Model Scale 1 Grades; 11) Education Grades; and 12) Other Grades. The Qualification Groups referred to in this report are based on the existing classification of 12 qualification groups.

survey, subject to the necessary refinements and modifications as set out in paragraphs 2.56 – 2.67 below to align it with the methodology of the overall pay level survey.

2.56. For the purpose of the starting salaries survey, we **recommend** that starting salaries in the private sector be defined as the salary paid to an employee after the confirmation adjustment at the end of his or her probation period (if any) and within the first year of employment. In the private sector, the full value of the entry-level job normally can only be fully reflected by the pay after probation when the employee's suitability to the job will be confirmed. In many cases, probation in the private sector lasts a relatively short period e.g. typically three months but sometimes as long as six months or a year. On the contrary, probation plays a significantly different role in the civil service where the much longer probation period of normally three years is served before the officer is granted the tenure and job security of a civil servant. During this long probation, the officer continues to progress along the relevant pay scale starting from the entry point. Therefore, the private sector starting salaries as defined above should be compared with the entry point of the pay scale of the civil service entry ranks requiring similar qualification and experience for appointment, and not the civil service pay point upon completion of probation.

2.57. The survey should cover private sector entry-level jobs for comparison with the civil service entry ranks. Private sector entry-level jobs are defined as the first-tier of jobs in private sector organisations requiring similar qualification requirement as the civil service entry ranks. For instance, senior jobs in the private sector above the first-tier, same as the civil service promotion ranks, will be excluded from the survey field of the starting salaries survey. Entry-level jobs may encompass jobs with specific qualification requirements that implicitly reflect the accumulation of relevant experience, including jobs requiring engineering or other professional qualifications.

2.58. In deciding on which entry-level jobs should be covered in the survey field of the starting salaries survey, the following are relevant considerations

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- (a) Whether there are sufficient private sector entry-level jobs with similar typical requirements on qualification and experience for all civil service qualification groups (see paragraphs 2.60-2.61 below); and
- (b) How to select entry-level jobs in the private sector for the purpose of a comparison on starting salaries to ensure job comparability between the two sectors (see paragraphs 2.62-2.64 below).

2.59. The comparison of starting salaries should be based on jobs having similar entry qualification requirements in the two sectors. With the improvement in education standards over the years, the existing qualification groups in the civil service may not fully reflect the current entry requirements on qualification in the private sector and, therefore, we may not be able to find sufficient data on private sector starting salaries for all qualification

groups. This was evident in the Starting Salaries Review 1999 when difficulties were encountered in collecting sufficient data from the private sector for 4 qualification groups (which required: (a) a higher diploma; (b) Form IV plus two years' training or school certificate plus one year's training; (c) membership of a professional institution or equivalent; and (d) an honours degree) to produce representative results. Benchmark pay for jobs in these qualification groups were determined on the basis of their internal pay relativity with other qualification groups⁷. Only a relatively small sample of pay data was collected for the "Matriculation Grades" Qualification Group (requiring passes in two Advanced Level subjects and credits in three HKCEE subjects or commonly referred to as "2A3O"). The concern that we may not be able to find sufficient data for private sector jobs with entry requirements comparable to the entire range of civil service qualification groups remains valid today.

2.60. In view of the difficulties in identifying sufficient private sector pay data for all qualification groups, a practical solution is to focus the starting salaries review on entry requirements on qualification and experience which are more likely to be applicable in the private sector. The starting salaries for these entry requirements are usually good benchmarks for determining the starting salary for jobs with other entry requirements, in both the civil service and the private sector. Having regard to the experience gained in the Starting Salaries Review 1999 and the common entry requirements in the private sector today, we consider that the following qualification groups remain valid and **recommend** that the survey findings on these qualification groups serve as reference for setting the starting salaries of jobs in the other 3 qualification groups based on the existing system of internal pay relativities:

- Qualification Group 1 (Grades not requiring five passes in the Hong Kong Certificate of Education Examination (HKCEE)): education of Form 5 or below is required but not experience;
- Qualification Group 2 (School certificate grades): This qualification group consists of two Groups. Entry ranks in Group I only require five passes in the HKCEE but not experience while Group II require both five passes in the HKCEE and considerable experience. As there are disparate job requirements (e.g. experience, special skills, etc.) among ranks in Group II, the established practice adopted for previous pay reviews was not to set any benchmark pay for these ranks and their starting salaries were determined based on their existing internal pay relativities with those ranks in Group I;
- Qualification Group 3 (Higher diploma and diploma grades): higher diploma or diploma is required but not experience;

⁷ For instance, the qualification group requiring a higher diploma for appointment was not included in the survey field of the 1999 Starting Salaries Review. The benchmark pay for this qualification group was determined by reference to its established relativity with the qualification group requiring a Higher Certificate plus working experience. Since the survey results indicated a lowering of the benchmark pay for the latter qualification group by two points from MPS 13 to MPS 11, the benchmark pay for the qualification group requiring a higher diploma was adjusted accordingly from MPS 13 to MPS 11.

- Qualification Group 4 (Technical Inspectorate and Related Grades): higher certificate plus experience is required. Having regard to the typical entry requirements of civil service jobs in this qualification group, we **recommend** that 3 years of experience should be a relevant entry requirement for jobs in this qualification group for this survey (see paragraph 2.62 below);
- Qualification Group 5 (Technician, Supervisory and Related Grades Group I): Relevant Certificate or apprenticeship plus experience. Having regard to the typical entry requirements of civil service jobs in this qualification group, we **recommend** that 2 years of experience should be a relevant entry requirement for jobs in this qualification group for this survey (see paragraph 2.62 below);
- Qualification Group 6 (Technician, Supervisory and Related Grades Group II): Craft and skill plus experience or apprenticeship plus experience. Having regard to the typical entry requirements of civil service jobs in this qualification group, we **recommend** that 2-3 years of experience should be a relevant entry requirement for jobs in this qualification group for this survey (see paragraph 2.62 below);
- Qualification Group 8 (Professional and Related Grades): membership of a professional institution or equivalent which may or may not implicitly imply an experience requirement depending on the industry concerned;
- Qualification Group 9 (Degree and Related Grades): a degree is required but not experience; and
- Qualification Group 10 (Model Scale 1 Grades): many jobs in this qualification group require manual work and ability to read Chinese as the basic entry requirement.

We further **recommend** that –

- (a) Qualification Group 7 (Grades requiring 2A3O) be excluded because we anticipate difficulties in collecting sufficient data from the private sector on this entry requirement to make a credible pay comparison;
- (b) Qualification Group 11 (“Education Grades” Qualification Group) be excluded as in the Starting Salaries Review 1999 because of the disparate entry requirements of grades in this group⁸ and the practical difficulties in making a comparison on the starting salary across these different entry requirements;

⁸ The Education Grades Qualification Group consists of both graduate and non-graduate grades. The basic entry qualification for a graduate grade is a degree from any recognised university in Hong Kong or overseas, and that for a non-graduate grade is a Certificate in Education from the Hong Kong Institute of Education (or the Colleges of Education prior to the establishment of the Hong Kong Institute of Education in 1994).

- (c) Qualification Group 12 (“Other Grades” Qualification Group) be excluded as in the Starting Salaries Review 1999 because the entry requirements and the pay structure of jobs within this qualification group are of a diverse variety and there are practical difficulties in making a comparison on the starting salary across these different entry requirements; and
- (d) Qualification Group 4 and Qualification Group 5 be grouped together with an experience requirement of 2-3 years for the purpose of collecting pay data on starting salaries from the private sector as the entry requirements and the work nature of these two qualification groups are similar. Private sector organisations are essentially recruiting from more or less the same pool of people in the market for filling the jobs with the entry requirements of these two qualification groups.

2.61. We could further review the scope of the qualification groups to be covered in the survey in the light of private sector pay data that can be obtained from the pay level survey.

Scope of entry-level jobs to be covered

2.62. In addition to the relevant requirement on educational or professional qualification, jobs in a certain number of qualification groups in the civil service require experience (e.g. Qualification Group 4 and Qualification Group 5) while some do not have any experience requirement (e.g. Qualification Group 1 and Qualification Group 9). In the Starting Salaries Review 1999, data was collected for the starting salaries of job-holders in the private sector in any entry-level job requiring 0 to 5 years of experience. For the purpose of data analysis, in respect of those qualification groups which do not have experience requirements, only data for those job samples not requiring working experience were analysed; in respect of those qualification groups requiring working experience, all job samples collected were analysed. To ensure the comparability of jobs to be surveyed, we consider that the above approach is relevant to the upcoming starting salaries survey but it may need to be further refined to better reflect the typical experience requirement of individual civil service entry ranks in each qualification group. We observe that the typical experience requirement for civil service entry ranks in Qualification Group 4/ Qualification Group 5 and Qualification Group 6 is 2-3 years of experience. We therefore **recommend** the following slight modifications to the approach -

- (a) For qualification groups which have no experience requirement (i.e. Qualification Group 1, Qualification Group 2⁹, Qualification Group 3,

⁹ As explained in paragraph 2.60 above, only those ranks in Group II of this qualification group require some experience. In view of the disparate job requirements (experience, special skills) among ranks in Group II of this qualification group, we **recommend** following the established practice adopted for previous pay reviews rather than setting any benchmark pay for the ranks in Group II of this qualification group. The starting salaries of

Qualification Group 8, Qualification Group 9 and Qualification Group 10), we **recommend** that the pay data of private sector jobs with similar qualification requirement and 0-1 year of experience be collected and analysed. Our recommendation of covering entry-level jobs requiring experience of one year or less in the survey field has taken into account the fact that many private sector organisations do not have a practice to distinguish jobs requiring no experience and jobs requiring a little experience.

- (b) For qualification groups which have specified experience requirement (i.e. Qualification Group 4, Qualification Group 5 and Qualification Group 6), having regard to the experience requirement for the civil service entry ranks in these qualification groups, we **recommend** that the pay data of private sector jobs with 2-3 years of experience be collected and analysed.

2.63. We should point out that while the starting salaries survey compares starting salaries based on similar entry requirements, the pay data to be collected from the survey do not relate to the actual qualifications and experience that individual job-holders may have. The rationale is that starting pay levels should be determined having regard to the required qualification and capabilities for performing the duties. Most private sector employers have either well-defined requirements for entry into different levels, or define the expected requirement in advance of a specific recruitment exercise. We cannot rule out the possibility that private sector employers may give a higher or lower starting salary for individuals with qualifications or experience higher or lower than their entry requirement in specific instances. However, in many cases the overqualified candidates will not be rewarded by a higher pay level than the targeted pay level for the qualification required by the job. In other cases, the organisations will have raised the qualification requirement and accordingly the data on the starting salaries will be used for comparison for the higher qualification requirements.

2.64. In the Starting Salaries Review 1999, the pay data of private sector entry-level jobs with entry requirements similar to those of the relevant civil service qualification groups were included in the survey field only if the private sector jobs were engaged in similar functions as the civil service jobs in the relevant qualification group. This was done by matching the entry-level jobs in the civil service and the private sector into job families which reflected the broad job functions they performed (e.g. human resources management, supply/purchasing, etc.). We consider that such a matching process based on broad functions remains useful to ensure the comparability of jobs between the two sectors. We therefore **recommend** collecting data on the starting salaries for private sector jobs performing functions relevant to the civil service job families that are to be adopted for categorising benchmark jobs for the overall pay level survey (see Section III of this report for the proposed job families). The distribution of the functions performed by the private sector entry-level jobs to be surveyed should be

these ranks will be determined based on their existing internal pay relativities with ranks in Group I of this qualification group.

reasonably consistent with that of the civil service entry-level jobs in the relevant qualification group. This approach ensures consistency in the scope of private sector jobs to be covered in the starting salary review and the overall pay level survey. The grouping by job family provides guidance on the private sector disciplines or functions to be included in the starting salaries survey. Starting salaries data, however, will be analysed by qualification group.

Scope of surveyed organisations

2.65. We **recommend** that the selection of organisations to be surveyed for collecting data on private sector starting salaries should be consistent with that for the overall pay level survey which is explained in Section IV of this report. Given that the latter, taken together, should represent a breadth of economic sectors of Hong Kong, they should be able to provide sufficient data on starting salaries of entry-level jobs of different requirements on qualifications and experience.

Data collection

2.66. For consistency with the methodology of the overall pay level survey, we **recommend** collecting data on cash compensation elements (including basic salary, guaranteed bonuses, cash allowances and variable pay) for the starting salaries survey. Inclusion of these elements is explained in Section V of this report. Same as the approach adopted for the overall pay level survey, we **recommend**, for the purpose of the starting salaries survey, collecting the monthly basic salary as of the survey reference date and data on the amount of the other cash compensation elements provided to the employees over the 12 months prior to the reference date.

Data analysis

2.67. For consistency with the methodology of the overall pay level survey, we **recommend** adopting the typical organisation practice approach as explained in Section VII¹⁰.

¹⁰ In essence, under this approach, we shall consolidate the starting salary data of each surveyed organisation in respect of each qualification group to provide one indicator for that organisation and then analyse the indicators of the surveyed organisations at the upper quartile, the median, the average and the lower quartile levels to produce the overall indicator for each qualification group. Same as the approach recommended for the overall pay level survey and explained in Section VII, we shall analyse the following two aggregates of cash compensation by calculating the upper quartile, the median, the lower quartile and the average : (a) annual base salary, defined as basic salary plus contractually guaranteed bonus; and (b) annual total cash compensation, defined as annual base salary plus any other cash payment (including cash allowances and variable

2.68. The entry pay information collected from private sector organisations can be used to assess whether the benchmark pay for the relevant civil service qualification groups remain appropriate. If any adjustment to the benchmark pay is necessary, the new benchmark pay can be pegged to an appropriate pay point on the relevant civil service pay scale after the latter has been updated, as necessary, in the light of the findings of the overall pay level survey.

pay) except those that are conditional on particular working conditions (such as overtime or work location) or on individual circumstances (e.g. payments in reimbursement of business expenses).

III. Alignment of Benchmark Jobs into Job Families and Job Levels

Summary

We **recommend** that civil service benchmark jobs be categorised into 5 job families and 5 job levels such that the pay of the civil service and private sector job matches that are broadly comparable in terms of job content and work nature (categorised in the same job family) as well as level of responsibility and typical requirements on qualification and experience (categorised in the same job level) will be compared. These job families are the Clerical and Secretarial, Internal Support, Public Services, Works-Related, and Operational Support families. The five job levels are aligned to relevant range of pay points on civil service pay scales, including Operational Staff, Technicians and Assistant Executives/Professionals, Middle-Level Executives and Professionals, Managerial and Senior Professionals, and Senior Managers and Lead Professionals.

After a **recommended** job inspection process to ascertain the details of the work nature and job characteristics of the proposed civil service benchmark jobs, we **recommend** job descriptions be prepared for each of the proposed private sector benchmark jobs; these descriptions form the basis for identifying private sector benchmark jobs and collecting data during the survey stage. The pay data on private sector jobs will then be consolidated by job level and job family to produce indicators of the private sector pay levels.

3.1. As mentioned in paragraph 2.36 above, we recommend that civil service benchmark jobs should be aligned with private sector jobs which are broadly comparable in various job-related aspects (job content, level of responsibility, etc.). To have a more systematic categorisation of civil service and private sector benchmark jobs and to facilitate the data analysis process and produce more useful statistics for pay comparison, we further **recommend** that we should categorise the identified benchmark jobs in both the civil service and the private sector into a number of job families based on job content and work nature and a number of job levels based on the level of responsibility and typical requirements on qualification and experience, as follows -

- (i) *5 proposed job families*, each covering jobs at different levels with broadly similar job content or nature of work. All private sector jobs to be surveyed will be categorised into and analysed by these job families; and
- (ii) *5 proposed job levels*, each covering civil service jobs that share a similar range of pay points on civil service pay scales and thus levels of responsibility. This categorisation reflects the established job hierarchies within the civil service. Civil service jobs with a similar range of pay points will reflect their similarity in level of responsibility and typical requirements on qualification and experience as these are relevant factors, among others¹¹, which

¹¹ Other factors include the job nature and any special factor relevant to the grade (e.g. recruitment and retention difficulties, etc.)

have been taken into account in determining the pay scales of individual civil service ranks. Private sector benchmark jobs will be matched into the appropriate job level having regard to their level of responsibility and typical requirements on qualification and experience.

3.2. The job families are defined in consideration of the job content and work nature, in particular the manner in which they provide services and contribute to the functioning of Government. We have considered a categorisation based on 8 more narrowly-defined job families¹² but consider that the proposed 5 more broadly-defined job families provide a more meaningful categorisation of jobs based on broad comparability in job content and work nature and also provide a wider representation of civil service jobs in each job family. The pay level survey should aim to obtain private sector pay data in a professional manner, based on comparisons of groups of broadly comparable jobs, in order to establish the extent to which civil service pay is broadly comparable to private sector pay, but not to a precise comparison between the pay of an individual civil service job with the pay of its private sector counterparts. The five broadly-defined job families and job levels could therefore better reflect the overall private sector pay practice as the pay data analysed by job family and job level will be based on a wider range of broadly comparable private sector jobs. The proposed categorisation of civil service benchmark jobs into job families and job levels

¹² We have originally proposed categorising the proposed benchmark jobs into 8 more narrowly defined job families based on the job content and work nature. The 8 job families include:

- (1) “Clerical and Secretarial Family” consists of clerical staff (e.g. clerical officer, typists) and personal secretaries that perform clerical and secretarial tasks;
- (2) “Office Support Services and General Administration Family” covers positions that provide support services related to the office operation or administration of an organisation (e.g. Information Officer, Executive Officer, Analyst/Programmer);
- (3) “General Support Services Family” covers positions that provide non-administrative support services other than those covered by the “Office Support Services and General Administration Family”. Typically, jobs in this family require operation of equipment or machinery, manual work, travel or outdoor work;
- (4) “Professional Services Family” covers positions providing non-works related professional services;
- (5) “Works-related Family” covers positions performing jobs that are related to the works field;
- (6) “Social and Cultural Public Services Family” covers positions that provide social and cultural services;
- (7) “Other Public Services Family” covers positions that provide public services other than social and cultural services; and
- (8) “Technician Family” covers positions that require possession of technical expertise and are mainly responsible for performing technical inspection or tasks requiring the use of the technical expertise.

We propose merging some of the job families which are smaller in size and comprise jobs the nature of which is not so distinct from each other (e.g. the “Social and Cultural Public Services Family” and the “Other Public Services Family” into one “Public Services Family”). The more broadly-defined job families will help give a more meaningful categorisation of jobs based on broad comparability in job content and work nature and also provide a wider representation of civil service jobs in each job family.

set out in **Table 6 and Table 7** could be refined taking into account the detailed information on the job characteristics of the proposed civil service benchmark jobs collected in the proposed job inspection process.

3.3. The definitions of the proposed 5 job families are set out in **Table 6** below:

Table 6: Definitions of the proposed job families

Job Family 1: Clerical and Secretarial Family

Jobs in this family consist of clerical staff (e.g., clerical officer, clerical assistant) and personal secretaries that perform clerical and secretarial tasks.

Job Family 2: Internal Support Family

This family covers jobs that provide support services related to office operation, administration or other internal support for an organisation (e.g., Government Counsel, Information Officer, Executive Officer, Analyst/Programmer, Accounting Officer).

Job Family 3: Public Services Family

This job family includes jobs that specialise in the provision of services or other specialised functions which will directly reach out to or involve contact with the general public (e.g. Manager (Cultural Services), Leisure Services Manager).

Job Family 4: Works-Related Family

Jobs in this family include those that perform professional services (e.g., Engineer, Architect) and those that perform technical support and inspection work (e.g., Inspector of Works) related to the design, construction, monitoring of quality and safety and maintenance of and planning for Government or public facilities and infrastructure, as well as those that perform certain works-related territory-wide regulatory functions (e.g. Buildings Surveyor).

Job Family 5: Operational Support Family

This job family covers jobs that provide operational support for an organisation such as non-administrative services. Typically jobs in this family require operation of equipment or machinery, manual work, travel or outdoor work (e.g. Workman).

3.4. Job levels represent different levels of responsibility and typical requirements on qualification and experience. Each job level has been aligned with a range of pay points on the civil service pay scales. Civil service benchmark jobs which are assigned to the same job level usually require similar qualifications and experience. The five levels are defined in **Table 7** below.

Table 7: Definition of Job Levels and Corresponding Pay Scales

Job Level	Pay Scale
<p>1. <u>Operational staff</u></p> <p>Operational staff performing operational tasks or work assignments according to established work routines and procedures. Normally no prior work experience is required and educational attainment of lower than Form 5 or Form 5 plus Grade E or above in 5 subjects in the Hong Kong Certificate of Education Examination (HKCEE) is typical.</p> <p>Includes Model Scale 1 staff, manual workers and junior clerical staff, as well as entry ranks of operational and technical staff.</p>	<p>Mod 1¹³ 0-13 and MPS¹⁴ 0-10</p>
<p>2. <u>Technicians and assistant executives/professionals</u></p> <p>Junior professional and executive jobs involving application of established policies and technical principles, information flow coordination, case handling and information analysis in the light of knowledge about a subject area. Supervision is often involved.</p> <p>Also technicians, inspectorate and junior professional jobs performing technical operations that require specific technical knowledge, specialised skills and frontline inspection work, or supervision of operational staff in general field work. These jobs usually require apprenticeship and certification and extensive experience, or diploma in a relevant field.</p> <p>Includes second-tier ranks of technical staff and assistants requiring Form 5 education or some may require Grade E or above in 5 subjects in the Hong Kong Certificate of Education Examination (HKCEE) or apprenticeship; or entry ranks of technicians and inspectors requiring higher certificates or diplomas; or supervisors of operational staff; or entry ranks of officer grades and professionals requiring degrees.</p>	<p>MPS 11-23</p>
<p>3. <u>Middle-level executives and professionals</u></p> <p>Professionals performing executive and junior managerial tasks, requiring advanced analysis of information and exercise of judgment in the light of stipulated principles and policies. Requires sound knowledge and experience of relevant subject areas.</p> <p>Also senior technical and inspectorate roles with considerable</p>	<p>MPS 24-33</p>

¹³ Model Scale I Pay Scale

¹⁴ Master Pay Scale

Job Level	Pay Scale
<p>experience in supervision and inspection tasks.</p> <p>Includes third-tier of technical staff and assistants and technicians or supervisors; second-tier of inspectors and officer grades; and the lower end of the pay scale of the second-tier ranks of professional grades such as Engineer.</p>	
<p>4. <u>Managerial and senior professionals</u></p> <p>Middle-level managers and senior professionals. Subject officers for defined issue area; responsible for processing cases and issues falling into relevant subject area based on expertise and rich experience. Also includes senior inspectorate ranks.</p> <p>Includes top ranks of technicians, supervisors and inspectors; third- or fourth-tier ranks of officer grades (depending on the rank structure of the grade); and the upper end of the pay scale of second-tier ranks of professional grades.</p>	MPS 34-44
<p>5. <u>Senior managers and lead professionals</u></p> <p>In charge of defined projects or service areas, managing a team of professional staff or a division/unit. Responsible for planning and high-level problem resolution and analysis for the policy/issue areas concerned.</p> <p>Includes top ranks of a few supervisor and technician grades; top ranks of officer and professional grades (excluding those jobs with pay points on the Directorate Pay Scale).</p>	MPS 45-49

3.5. We should identify those private sector jobs which are broadly comparable to civil service benchmark jobs (i.e. private sector benchmark jobs) in the job alignment process. To assist the private sector organisations participating in the pay level survey in identifying the jobs in their organisations which could be qualified as private sector benchmark jobs, we **recommend** a job description be prepared for each private sector benchmark job reflecting the job content, work nature, level of responsibility, typical requirements on qualification and experience of corresponding benchmark jobs in the civil service.

3.6. We should emphasise that civil service benchmark jobs will be aligned with private sector benchmark jobs according to their job content, work nature, level of responsibility and typical requirements on qualification and experience, not the job titles. Nevertheless, as mentioned in paragraph 2.3 above, the pay level survey does not seek to make a precise comparison of the pay level of an individual civil service job with that of its private sector counterpart. Hence, we do not look for an exact match in every aspect. Our emphasis is to ensure broad comparability of the benchmark jobs in all the

above factors as a whole. In view of the inherent differences between the civil service and the private sector, there are bound to be a certain degree of variation between the civil service benchmark jobs and the private sector benchmark jobs in respect of some of these factors. We shall make the best professional judgment after taking every major factor into account to ensure that broadly comparable jobs will be matched with each other as far as possible.

3.7. **Table 8** shows, for example, that a job description titled “Clerk” would be prepared to reflect the level of responsibility as well as typical requirements on qualification and experience typical of civil service jobs in the Assistant Clerical Officer rank. Like an Assistant Clerical Officer in the civil service, a private sector Clerk would typically require completion of Form 5 with five passes in HKCEE (including subjects such as English) and limited prior experience (see the example of a job description of a private sector clerk in Annex D). The job would be involved in executing a number of related procedures under readily available supervision. In the case of the Executive Officer grade, as there are no exact equivalents in the private sector where most professional jobs are organised according to professional specialisations, private sector jobs engaged in various aspects of the responsibilities normally undertaken by Executive Officer grade such as Human Resources Managers/Officers, Customer Services Managers/Officers, Accounting Managers/Officers, etc. would be surveyed instead.

3.8. The pay level survey should aim to obtain private sector pay data in a professional manner, based on comparisons of groups of broadly comparable jobs, in order to establish the extent to which civil service pay is broadly comparable to private sector pay. The pay information for Clerk in the private sector is not intended to be used directly as the reference for the pay of an Assistant Clerical Officer, nor would the pay scale of Executive Officers be directly determined or adjusted by reference to the pay of Human Resources Officers and personnel in other relevant streams in the private sector. Instead, information on how Clerk is paid in the private sector would be combined with the pay ranges found for other private sector matches for jobs in Job Level 1 in the Clerical and Secretarial job family to determine the pay practices relevant to that job family at the specified job level. In turn, the pay level information for all civil service job families at Job Level 1 would be combined to produce an overall private sector pay indicator for that job level. The same approach would be repeated to work out an overall private sector pay indicator for every other job level.

Table 8: An Illustration of categorisation of Civil Service Benchmark Positions and Private Sector Benchmark Positions by reference to the proposed Job Families and Job Levels

Civil Service Job Level	Pay Scale	Job Family 1: Clerical & Secretarial Family		Job Family 2: Internal Support Family	
		Civil Service Rank	Private Sector Job Match ¹⁵	Civil Service Rank	Private Sector Job Match ⁵
5. Senior Managers & Lead Professionals	MPS 45-49	nil	nil	Chief Executive Officer (MPS 45-49)	Senior HR Manager, Senior Customer Service Manager, Senior Accounting Manager
				Senior Systems Manager (MPS 45-49)	Senior IT Services Manager
4. Managerial and Senior Professionals	MPS 34-44	nil	nil	Senior Executive Officer (MPS 34-44)	HR Manager, Customer Service Manager, Accounting Manager
				Systems Manager (MPS 34-44)	IT Services Manager
3. Middle Level Executives & Professionals	MPS 24-33	nil	nil	Executive Officer I (MPS 28-33)	HR Officer, Customer Service Officer, Accounting Officer
				Analyst/Programmer I (MPS 28-33)	Systems Analyst
2. Technicians & Assistant Executives / Professionals	MPS 11-23	Clerical Officer (MPS 16-21)	Clerical Supervisor	Executive Officer II (MPS 12-27)	Assistant HR Officer, Assistant Customer Service Officer, Assistant Accounting Officer
		Personal Secretary I (MPS 16-21)	Secretary I	Analyst/Programmer II (MPS 13-27)	Analyst/Programmer
1. Operational Staff	Model 1 Scale 0-13 & MPS 0-10	Assistant Clerical Officer (MPS 2-15)	Clerk	nil	nil
		Personal Secretary II (MPS 3-15)	Secretary II		

¹⁵ Matching of civil service benchmark jobs with private sector benchmark jobs will be based on broad comparability of jobs in job content, work nature, level of responsibility and typical requirements on qualification and experience, not on job titles.

Work Steps for Job Selection and Job Alignment Process

3.9. We summarise the key work steps for the job selection and job alignment processes, as explained in paragraphs 2.42 – 2.45 and 3.1 – 3.8 in this report, as follows:

Pre-survey period:

- (a) Selection of civil service benchmark jobs based on the relevant selection criteria (see paragraphs 2.42-2.45 above). A job inspection process involving grade/departmental management and job-holder representatives should be carried out to ascertain the details of the work nature and job requirements of the proposed civil service benchmark jobs;
- (b) Establishing comparability of civil service benchmark jobs and private sector benchmark jobs. Identifying on a preliminary basis private sector close matches or broad matches which are broadly comparable with civil service benchmark jobs in terms of job content, work nature, level of responsibility and typical requirements on qualification and experience (see paragraph 3.1 above) to be included in the survey field as benchmark jobs;
- (c) Preparation of job descriptions for identifying private sector benchmark jobs in the organisations to be surveyed taking account of the job nature and work requirements of their broadly comparable civil service benchmark jobs confirmed following the job inspection process. Details are set out in paragraph 3.10 below; and
- (d) Categorising benchmark jobs in the civil service and the private sector into job families and job levels (see paragraphs 3.2-3.8 above).

Survey period:

- (e) Interviewing with representatives from the management of the participating private sector organisations to confirm the right match of private sector jobs with the job descriptions.

The above process ensures that all relevant aspects of a benchmark job are examined and confirmed with the representatives from the respective management and possibly representatives from job-holders in the civil service to ensure comparability of the civil service benchmark jobs with the private sector benchmark jobs before data collection.

3.10. As mentioned in paragraph 3.9(a) above, we **recommend** an intensive job inspection process for all the civil service benchmark jobs to

ascertain details of their work nature and job characteristics to facilitate the preparation of detailed job descriptions for identifying corresponding private sector benchmark jobs. During the job inspection process with the grade/departmental management and representatives of job-holders in the civil service, the responsible consultant would aim to collect information to (1) gain a thorough understanding of the benchmark jobs in the civil service and (2) appropriately define and identify private sector jobs that align with the job content, work nature, level of responsibility and typical requirements on qualification and experience in the civil service. Based on the detailed information on the relevant civil service benchmark jobs collected through the proposed dedicated job inspection exercise (i.e. not limited to the information contained in the civil service Guide to Appointments) and the consultant's knowledge of the typical duties of the benchmark jobs in the private sector, the responsible consultant will prepare job descriptions for identifying the private sector job matches. **Annex D** shows examples of job descriptions of possible private sector benchmark jobs.

3.11. We have carried out a trial exercise for job selection and job alignment broadly following the proposed work steps mentioned in paragraph 3.9 above. For the purpose of this trial exercise, we have first selected a number of civil service jobs from the preliminary list of the proposed civil service benchmark jobs at Annex C. They include the Clerical Officer grade, the Executive Officer grade, the Workman II grade, the Workman I grade and the Engineer grade. We have then interviewed the grade management of these grades to ascertain the details of the work nature and job requirements of these grades. Having regard to the information collected through the job inspection process and our knowledge of the private sector jobs, we have identified possible private sector clerical, human resources management, workmen, and engineering jobs, which will be matched with these grades at the relevant job levels. We have also prepared job descriptions for identifying these private sector jobs during the survey stage. These job descriptions attached at Annex D should serve as draft protocol to demonstrate the kind of information that needed to be contained in the job descriptions. We have also interviewed three private sector organisations to seek their views on the recommended approach for job selection and alignment as set out in paragraphs 3.1-3.8 above and the data analysis process. The participating private sector organisations were asked to confirm whether they had comparable positions, and whether the various responsibilities, qualifications, and experience levels appeared reasonable and comparable with those found in their own organisation. Where necessary, the sample job descriptions in **Annex D** were modified to reflect the comments from the respondent organisations. Details of the "trial" review of work performed by their civil service counterparts with the respective grade management and the interview with a number of private sector organisations as part of the trial survey are set out in **Annex E** and **Annex F** respectively. As this was intended as a trial exercise, the interview on civil service benchmark jobs did not involve the job-holder representatives but we would recommend that for the purpose of the pay level survey, the proposed job inspection process should involve both the grade/departmental management and job-holder representatives.

IV. Selection of Private Sector Organisations to be Surveyed

Summary

We **recommend** that criteria for selecting the organisations to be surveyed be broadly similar to those adopted for the pay trend survey although the difference in nature between a pay level survey and a pay trend survey necessitates some adjustments to the criteria for application to the pay level survey.

Consideration has been given to the source of pay data of private sector organisations – whether all data are to be collected specifically for this survey or existing databases maintained by pay consultants may be used. In view of the need to customise the survey methodology to take account of the particular requirements of the pay level survey, we **recommend** sourcing private sector pay data from a special survey conducted solely for this purpose.

Selection of organisations to be surveyed

4.1. In deciding the criteria for selecting the private sector organisations to be surveyed, the guiding principle 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. We have examined the existing selection criteria for the pay trend survey, which state that the distribution of companies by major economic sectors in the survey field should reflect closely the overall distribution of Hong Kong's economically active population, and that individual companies should:

- (a) be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
- (b) be regarded as typical employers in their respective field normally employing 100 employees or more;
- (c) determine pay on the basis of factors and considerations applying to Hong Kong rather than factors applying outside Hong Kong;
- (d) if they form part of a group or consortium in Hong Kong, only be treated as separate companies where they have complete autonomy in setting and adjusting pay rates; and
- (e) not use the Government's pay adjustment as the main factor in determining pay adjustments.

4.2. We observe that not all selection criteria for the pay trend survey as set out above fully apply to the pay level survey in view of the differences in the survey purpose and we need to draw up new criteria to meet the purpose of the pay level survey. The pay trend survey seeks to capture movements in private sector pay from year to year and is not concerned with the absolute pay levels of individual private sector jobs. On the other hand, the pay level survey aims to obtain private sector pay data in a professional

manner, based on comparisons of groups of broadly comparable jobs, in order to establish the extent to which civil service pay is broadly comparable to private sector pay. Given the differences in the objective between the pay level survey and the pay trend survey and to ensure a credible pay level survey, in selecting organisations to be included in the survey field of the pay level survey, we **recommend** that the key principle is to ensure that these organisations, taken together, have a sufficient number of the private sector jobs that are reasonable counterparts to and broadly comparable with the civil service benchmark jobs. The requirement of the pay trend survey that the selected organisations should reflect closely the overall distribution of Hong Kong's economically active population would not be of direct relevance to the pay level survey. Nevertheless, to enhance the representativeness of the pay data, we would **recommend** that taken together, the selected organisations should represent a breadth of economic sectors. We also **recommend** that each individual organisation should preferably cover a range of different private sector benchmark jobs so that we can obtain information on the pay relativities among these jobs within each selected private sector organisation. Where necessary, the survey field may include certain private sector organisations for the purpose of facilitating collection of pay data of those benchmark jobs which are not readily found in many of the organisations to be surveyed but are nonetheless representative of the civil service and thus should also be included in the comparison, provided that these organisations meet the other selection criteria as set out in **Table 9** (e.g. being a steady and good employer which conducts salary administration on a rational and systematic basis.)

4.3. It is also necessary to define what constitutes steady and good employers which conduct salary administration on a rational and systematic basis for the purpose of the pay level survey, so that the survey consultants may make an assessment on the selection of surveyed organisations on an objective basis. Our view is that they should refer to organisations which, on the whole, -

- (a) regularly and systematically assess the competitiveness of their pay in comparison to other organisations in a systematic way (e.g. by making reference to data obtained from market pay surveys, regular interaction with external parties to determine going rates of pay, etc.);
- (b) have an established policy for determination of base salaries for individual positions that is adhered to in general;
- (c) do not experience excessive staff turnover relative to other employers in the industry, and relative to the usual pattern of staff turnover in the industry; and
- (d) provide certain employee benefits, e.g. in the form of cash or insurance schemes (such as medical insurance) where such are typical of the industry and category of staff.

4.4. For group companies, autonomy in setting pay rates and adjusting pay rates should be viewed as two different considerations. In the current market environment, there are group subsidiaries which have decidedly different pay levels, based on market conditions in their respective sectors yet have salary increase budgets guided by the group headquarters. Therefore, for the purpose of the pay level survey, we **recommend** that it would be more appropriate to consider the subsidiaries of a larger group as separate entities so long as they have autonomy in determining pay rates appropriate to their respective business models having regard to the conditions of Hong Kong.

4.5. One of the existing criteria for including an organisation in the survey field of the pay trend survey is that it should normally employ 100 or more staff. Such a criterion was adopted for the pay trend survey having regard to the fact that most government departments were staffed with over 100 employees. For the purpose of the pay level survey, given 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 of certain benchmark jobs, we **recommend** that we should be prepared to allow some flexibility over the employment size of the private sector organisations 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 listed in **Table 9** below. We note, however, that it would not be desirable, from a practical viewpoint, to include too many small private sector organisations in the survey field because of the implications on the data collection efforts. This is because it would be far more efficient to collect data from a reasonable number of large employers each with a relatively wide range of benchmark jobs than a large number of small employers each with only a few benchmark jobs. In the light of the foregoing technical considerations, we **recommend** that the vast majority of the participating organisations should employ at least 100 staff.

4.6. **Table 9** outlines the recommended criteria on the selection of private sector organisations for inclusion in the survey field and our comment on how these criteria will impact the actual selection of organisations having regard to the considerations set out in paragraphs 4.2 - 4.5 above. The criteria recommended in the table do not exclude government-owned or subsidised organisations provided that they do not use civil service pay levels and pay adjustments as major factors in determining the pay levels or pay adjustments for their staff or have not done so in the past five years. We **recommend** that five years should be a sufficiently long period for phasing out a previously adopted pay system. Both local organisations and international organisations with offices in Hong Kong can be covered, provided that they determine pay levels based on considerations and factors relating to Hong Kong.

Table 9: Selection criteria for private sector organisations to be included in the survey field

Selection Criteria	Comment
<p>The selected organisations should be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis.</p>	<p>We recommend that a rational and systematic basis of wage and salary administration refers to the following:</p> <ul style="list-style-type: none"> • Regularly and systematically assessing the competitiveness of their pay in comparison to other organisations in a systematic way (e.g. by making reference to data obtained from market pay surveys, regular interaction with external parties to determine ongoing rates of pay, etc.) • Having an established policy for determination of base salaries for individual positions that is adhered to in general <p>A steady and good employer is one that:</p> <ul style="list-style-type: none"> • does not experience excessive staff turnover relative to other employers in the industry, and relative to the category of staff; and • provides certain benefits to employees e.g. in the form of cash or insurance schemes (such as medical insurance) where such are typical of the industry and category of staff <p>Organisations that have implemented reductions in staff or pay are not necessarily excluded from the definition of “steady and good” employers.</p>

Selection Criteria	Comment
<p>The selected organisations should have a sufficient number of jobs that are reasonable counterparts to benchmark jobs in the civil service.</p>	<p>For the reasons set out in paragraph 4.2 above, we recommend to ensure that taken together, the surveyed organisations should have a sufficient number of private sector jobs that are reasonable counterparts to and broadly comparable with the civil service benchmark jobs and preferably each individual organisation should cover a wide representation of different private sector benchmark jobs so that information collected will reflect the pay relativities among these jobs within a private sector organisation. We may need to include some organisations that have benchmark jobs which cannot be readily found in most other surveyed organisations, provided that they meet the other selection criteria.</p>
<p>The selected organisations should be typical employers in their respective fields, normally employing 100 or more employees, but flexibility should be allowed over the employment size of the private sector organisations where the inclusion of such organisations will enhance the coverage of benchmark jobs and provided that these organisations meet all the other selection criteria. This criterion would not exclude organisations with less than 100 employees.</p>	<p>We recommend that the vast majority of the participating organisations employ at least 100 staff, with some flexibility over the employment size of the private sector organisations, in view 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 of certain benchmark jobs. From the angle of efficient collection of data, we envisage that most of the organisations in the survey field would be larger companies that can provide data on a range of benchmark jobs.</p>

Selection Criteria	Comment
<p>The selected organisations should determine pay levels on the basis of factors and considerations applying to Hong Kong rather than outside Hong Kong.</p>	<p>Having regard to the views received during discussions on issues about the survey methodology, we recommend that the pay data of those jobs which are filled by expatriates who stay in Hong Kong for a limited time period or on specific projects be excluded. This criterion should not be interpreted as excluding organisations that rely on factors outside Hong Kong if it is only for determining the pay levels of a particular category of employees such as expatriate employees. In these cases, we recommend that it is sufficient to exclude the relevant categories of employees from the survey field.</p>
<p>The selected organisations should not use civil service pay scales or pay adjustments as major factors in determining the pay levels or pay adjustments for their staff, or should not have done so in the past five years.</p>	<p>This requirement is self-evident, but may significantly restrict the pool of eligible samples for certain benchmark jobs.</p>
<p>If they form part of a group in Hong Kong, the selected organisations should be treated as separate organisations where pay practices are determined primarily with regard to conditions in the relevant economic sector. A limit may be placed on the number of organisations in the survey that belong to one company group.</p>	<p>The emphasis is on setting pay levels rather than the annual pay adjustment. We recommend that the criterion not be so strict as to eliminate organisations in any group that may on occasions second managers from one subsidiary to another applying a group-wide pay rate in doing so. The limit on the number (or percentage) of organisations from one company group ensures that pay levels are not overly influenced by a small number of large employers.</p>
<p>Taken together, the selected organisations should represent a breadth of economic sectors.</p>	<p>We recommend that representativeness of economic sectors be balanced with the need to ensure that there will be sufficient representation of the private sector benchmark jobs to be covered in the survey.</p>

Selection Criteria	Comment
The total number of survey organisations should be sufficient to ensure that each single job family will have data coming from at least ten organisations	To ensure that the collected data is meaningful and representative for any particular job family.
70-100 organisations should be included in the survey field.	We recommend that at least 70 organisations be surveyed to ensure a reasonable representation of private sector pay levels and reasonable consistency in the survey outcome for future surveys. The exact number of the organisations to be surveyed should be determined having regard to the resource implications provided that other selection criteria have been met.

Data Sourcing Strategy

4.7. We **recommend** that we should source private sector pay data from a special survey conducted solely for the purpose of comparison between civil service pay and private sector pay. Noting that the method of job comparison may, to an extent, need to be customised to take account of the particular requirements of the coming pay level survey, the above approach ensures that all jobs are matched in a consistent manner in full accordance with the selected job comparison method and that the data collected is up-to-date, compatible and complete. We have considered the alternative of carrying out a special survey and supplementing it by the use of existing databases to help save the effort of private sector organisations which have participated in pay surveys separately conducted by various pay consultancies in submitting their pay data again for the purpose of the special survey. However, considering that the necessary efforts to ensure consistency of data from existing databases with the data collected in the special survey will likely outweigh the benefits, we do not recommend this alternative.

Work Steps for Selection of Private Sector Organisations to be Surveyed

4.8. Before proceeding to select private sector organisations for inclusion in the survey field of the pay level survey, the survey consultant should consult the Steering Committee, the Consultative Group and CSB on their views on issues concerning the selection criteria as recommended in **Table 9** above and other technical matters. The survey consultant will then draw up a list of potential organisations to be surveyed and perform basic factual checks to ensure that the organisations on the list will, prima facie, meet the selection criteria. During the factual check process, the survey consultant

should refrain from contacting those organisations whose invitation is being considered to avoid any embarrassment if in the end they are considered not suitable to be included in the survey field of the pay level survey. After the factual check, the survey consultant will then make their professional and independent judgment in the selection of organisations to be surveyed to ensure that they will comply with the selection criteria and firm up the list of potential participating organisations. This list should include information on the names of the organisations, the economic sector or sectors in which they are active, and an estimate of staff numbers. The survey consultant will then issue invitations of participation to the potential participating organisations on the list and finalise the list of participating organisations in the light of the replies to the invitations.

4.9. Not all proposed participants will in fact meet the selection criteria. Furthermore, not all the invited participants will agree to contribute to the pay level survey. The survey consultant's proposed list of organisations to be invited should be considerably more than the targeted number of 70 to 100 organisations. An initial list of at least 140 - 150 organisations should be developed which may be pared down after confirming their compliance with the selection criteria. The final list for invitations should contain at least 125 - 135 organisations to ensure a reasonable level of participation.

V. Data Elements

Summary

This pay level survey focuses on comparison of pay. We **recommend** that data on cash compensation in the private sector, including basic salary, guaranteed bonus (e.g., end-of-year guaranteed bonus), cash allowances and variable pay based on individual and organisational performance, be collected for comparison.

CSB will pursue the rationalisation of civil service benefits as a separate exercise outside the pay level survey. But we **recommend** taking the opportunity of the pay level survey to collect information about the provision of benefits and perquisites in the private sector to facilitate the Administration in considering how the pay level survey results should be applied and future policy-making on the civil service remuneration package. We **recommend** that policy information on the provision of cash compensation as well as certain demographic data (e.g. age of employees) be collected to support comparison of the overall experience of the employees in relation to pay levels.

5.1. This pay level survey focuses on comparison of pay. A fundamental question arises as to what constitutes pay¹⁶. For instance, should pay cover basic pay only, or the value of compensation for the duties performed by an employee (i.e. total cash compensation including basic pay, guaranteed bonuses, cash allowances, variable pay based on individual or organisation performance); or, in broader terms, any remuneration components given to an employee for his employment (i.e. cash compensation plus benefits provided in kind)?

5.2. In the private sector, the prevailing trend is to set the target pay practice of an organisation in terms of total cash compensation. Accordingly, apart from basic pay, other cash compensation components such as guaranteed bonuses, cash allowances and variable pay constitute an important part of pay. As compared with that of the civil service, the remuneration package in the private sector typically is structured more flexibly with considerable variations across organisations. In the light of the foregoing, a pay comparison of all cash compensation components will provide a more comprehensive reflection of the pay levels in the private sector. Despite the greater variation in the structuring of remuneration packages in the private sector as compared with that in the civil service, we consider it practically feasible to collect data on all cash compensation elements payable to private sector employees as questions on the pay policy and individual pay element could be included in the questionnaire for collecting data from the participating organisations.

¹⁶ In defining pay for the purpose of the pay level survey, we do not recommend adopting the definition of wage as defined in the Employment Ordinance because that definition does not include discretionary variable bonuses or end-of-year bonuses which in many cases, constitute a critical element of the pay policy in many private sector organisations to fully reflect the value of the employees' job. We propose that these variable elements should also be looked at in the pay level survey to ensure that the survey will yield a comprehensive comparison between civil service pay and private sector pay and fully reflect the pay policy of the two sectors.

5.3. On the other hand, the civil service remuneration package is relatively more structured. It is paid mainly in the form of basic pay in accordance with the pay scales of the ranks concerned, together with a number of cash allowances paid under well-defined schemes, e.g. housing allowances. Certain benefits are provided in kind to eligible officers, e.g. medical and dental benefits, certain housing benefits (e.g. quarters), etc.

5.4. In view of the differences in the structuring of the remuneration package between the civil service and the private sector, for a comprehensive comparison of the pay levels between the two sectors, we **recommend** collecting data on all cash compensation elements paid by the employer to the employees during the survey reference period, including basic pay, guaranteed bonuses, cash allowances and variable pay, from the private sector. However, cash compensation elements which are conditional on specific working conditions or individual circumstances should be excluded. These elements, which are unique to a particular private sector organisation(s) or a particular private sector job in a surveyed organisation, do not provide a consistent basis for comparison. The emphasis is on any cash payment given to the employees by the employer. Cash compensation includes not only base salaries and bonuses, but also any cash payment, accountable or non-accountable, provided to employees. For instance, it could include housing allowances, education allowances for children, or even car park allowances. It will exclude any form of remuneration provided in kind – e.g. use of a car and provision of a parking space contributions to medical insurance, etc. and any form of remuneration intended to be provided over a long period of time, e.g. long-term incentives and retirement benefits.

5.5. **Table 10** presents our recommendation on the cash compensation elements for which we should collect information in the pay level survey and the exclusions that are conditional on specific work conditions or individual circumstances.

Table 10: Cash elements of employee compensation

Cash Compensation Elements	Definition and Comment
Basic salary	The salary offered to the holder(s) of the job on the survey base date for 12 months.
Guaranteed bonus	The number of months of salary paid on a guaranteed basis (either contractually or by established practice), e.g., the 13 th month salary.
Cash allowances	This element includes all cash allowances paid to employees , except 1. Cash payments which are conditional on individual

Cash Compensation Elements	Definition and Comment
	<p>circumstances (e.g. cash payment as reimbursement or substitute for reimbursement of an accountable expense borne by the employee). Examples are:</p> <ul style="list-style-type: none"> (a) transport and meal allowances paid subject to working overtime or unsocial hours or in remote locations or paid in lieu of actual reimbursement of legitimate business expenses; and (b) non-accountable entertainment allowances paid in lieu of reimbursement of actual expenses. <p>2. Cash payments which are conditional on specific working conditions that may be unique to an organisation or particular jobs in the organisation. Examples are :</p> <ul style="list-style-type: none"> (c) payments for overtime, shift work, remote locations, typhoon duty, noxious or dangerous duties, etc. that are related to the working conditions of a particular job; and (d) flat rate overtime or shift allowances paid without regard to the actual hours of overtime or shifts worked instead of compensation for actual overtime hours or shifts worked. <p>3. Some exceptional cases of payment of certain benefits in cash in the private sector. Examples include:</p> <ul style="list-style-type: none"> (e) cash reimbursement of out-patient medical expenses paid directly by the employer rather than through a medical insurance scheme. In most cases, these benefits are paid in kind or through an insurance scheme but not in the form of cash payment to employee direct.
Actual variable compensation	The amount of variable compensation paid to the job-holder based on individual or organisational performance over the 12 months prior to the reference date of the survey.
Policy information on the provision of different cash compensation components	This includes information on any established principles governing the provision of base salaries, cash allowances, year-end bonuses (guaranteed and non-guaranteed), variable pay, and any relevant yardsticks in determining the level of these compensation elements (e.g. as a percentage of the basic salary).
Job-holder information,	These elements can be used to assess whether differences in the overall experience (to be estimated by

Cash Compensation Elements	Definition and Comment
including date of birth, date of joining the organisation, and date of assuming current position	age) and time of service of employees in the organisation or time in the current position explain differences in the pay levels between the civil service and the private sector. Organisations with integrated human resources information systems will be able to provide this information which should be regarded as providing a broad snapshot picture for reference only in view of possible turnover of staff.

5.6. We have considered the option of making a comparison based on the total remuneration package approach, i.e. total cash compensation plus benefits provided in kind. To ensure the comparison is credible, benefits would have to be valued in a consistent way between the civil service and the private sector. However, the differences in the remuneration practices make it difficult to establish a basis for achieving a meaningful comparison between the two sectors in benefits provision. It is relevant to note that valuation of benefits was one of the major critical issues in the 1986 Pay Level Survey. The valuation process is further complicated by the fact that the benefits package for civil servants varies from officer to officer, depending on their terms of appointment (e.g. overseas terms, local terms, agreement terms, new terms, etc.). So even for officers within the same grade and the same rank, it would not be easy to agree on a typical benefits package as the basis for comparison. In the private sector, the terms of these “in kind” benefits also vary across different organisations, including the practices of the provision of long-term incentives. In view of the complexities involved in valuation of benefits provided in the two sectors and the Administration’s on-going efforts in rationalising the terms of civil service benefits separately outside this exercise, we **recommend** that the emphasis of the pay level survey should be on a comparison of annual cash compensation only. Nonetheless, we **recommend** taking the opportunity of the pay level survey to collect information on the provision of major types of benefits in the private sector to provide further reference for the Administration in considering how the pay level survey results should be applied. Such information would also provide useful reference for future policy-making on the civil service remuneration package. Examples of the policy information on these benefits are listed in **Table 11**.

Table 11: Benefits policy information

Benefit Policy Information	Definition and Comment
Retirement scheme offered	(a) Type of retirement scheme offered, e.g., defined benefit scheme, defined contribution, contract gratuity, Mandatory Provident Fund only, Mandatory Provident Fund with top-up, Mandatory Provident Fund and/or Occupational Retirement Scheme Ordinance scheme, etc. (b) Key features of the retirement benefit scheme, e.g. schedule of organisational contributions (for defined contribution scheme) or final salary multipliers (for defined benefit schemes) for selected lengths of service, and vesting schedules
Education benefits for children (if they are not paid in cash)	Information on eligibility and size of non-cash allowance type education benefit
Housing benefits (if they are not paid in cash)	Information on eligibility and size of non-cash allowance type housing benefit, e.g. mortgage assistance programmes or other forms of housing assistance paid for by the employer
Passage and travel-related benefits (if they are not paid in cash)	Amount of the benefits offered regardless of whether they are accountable or not
Annual leave entitlement	Annual leave entitlement at specified lengths of service and job levels
Medical insurance	Whether provided for outpatient and hospitalisation at each job level, and whether the benefit is offered to spouse and dependants of employees
Long-term incentives	Eligibility, frequency and approximate magnitude of long-term incentives, including stock options, the value of which is determined over more than one year
Status car	Whether employees at certain levels or job categories are provided with a car for personal use on the basis of status, or are allowed to use a car for personal use that is typically needed by the employee on a regular basis in the performance of the job
Club membership	Whether employees at certain levels or job categories are provided with memberships in clubs – recreation clubs, luxury dinner / social clubs, or exclusive clubs

5.7 While policy information will be collected on a range of benefits, perquisites and other items, it should be noted 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.

5.8 Another technical issue that needs to be considered is whether information is collected for all job-holders in a participating organisation in a particular job, or only a representative job-holder. Collection of data for all job-holders gives us a larger pool of raw data for each job, but will involve much effort on the part of the participating organisations when there are hundreds of job-holders in a single job. A representative job-holder is usually the “median” job-holder, defined as the individual whose total cash compensation (base pay plus allowances plus variable pay) is the median value amongst all job-holders in that job. Under this approach, the number of job-holders represented by that median job-holder will also be collected to reflect the representativeness of the pay data. Having regard to the data analysis method recommended for the coming pay level survey (details are set out in Section VII of this report), either approach will yield acceptable results so long as we can collect the number of job-holders for each benchmark job in each participating organisation to check the representativeness of the pay data collected. This level of detail could be further refined by the survey consultant having regard to the possibility of collecting such data before commencing the actual field work.

VI. Data Collection Procedures

Summary

This section sets out the **recommended** procedures to be followed in the data collection process. The steps include issuing invitations to potential private sector organisations, follow-ups to answer questions from invitees and secure their participation, job alignment, data collection, and data verification and validation.

6.1. This section summarises the **recommended** procedures for the data collection process to ensure the integrity and quality of the pay level survey results.

6.2. Major steps include invitation of potential private sector organisations, confirmation that they meet the selection criteria, job alignment and validation of job alignment, data collection, data verification and validation. The steps are summarised in **Table 12**.

Table 12: Summary of Data Collection Procedures

Step	Guidelines
Invitation	The Administration will issue a letter to invite potential private sector organisations to participate in the survey. The invitation letter should enclose basic information regarding the purpose, scope and timing of the survey and the information that is expected to be collected from the participating organisation, as well as contact information about the survey consultant.
Confirmation of participation	The survey consultant will contact each invited organisation to address any questions from the organisation about the survey and to appeal for their participation. The survey consultant will also ensure that the participating organisations are eligible for inclusion in the survey field (i.e., pay levels determined having regard to the conditions in Hong Kong, etc.) Interested organisations will be asked relevant questions regarding staff numbers, whether there are jobs that fit the descriptions of the proposed benchmark jobs to be covered in the survey field and which of the proposed job family these jobs should be categorised into, pay policies, employment policies, etc. to ensure that they meet all relevant selection criteria. The survey consultant will then inform those not meeting the stipulated selection criteria that their participation will not be required.

Step	Guidelines
Job alignment and validation	<p>A job description manual, along with the package for data collection (see item on “data collection” below), will be forwarded to each confirmed participating organisation. Representatives from the participating organisations will review the job descriptions and make preliminary identification of likely job matches. The survey consultant team will meet with representatives of each participating organisation to confirm the job matches. The survey consultants should review where necessary the efficacy of the job descriptions having regard to any feedback from the organisations and advise participating organisations to any changes to the job descriptions. The survey consultant will consider, where available, relevant job descriptions, grading structures, qualification and other requirements, organisation charts, etc. of the participating organisations that help to confirm the alignment of jobs in participating organisations with the civil service benchmark jobs. The survey consultant should also confirm with the participating organisations that each relevant private sector benchmark job reasonably matches the job description in all relevant aspects. As for the civil service benchmark jobs, we have recommended as set out in Section III of this report that there should be a job inspection process to ascertain the details of their work nature and job requirements to facilitate a proper job alignment process.</p> <p>The survey consultant will also undertake a series of internal job validation exercises for selected jobs. These exercises involve comparing the job matches derived from each private sector organisation for consistency. Where adjustments are warranted, the survey consultant should confirm the changes with the relevant participating organisations.</p>
Data collection	<p>The package for data collection contains spreadsheet, questionnaire or other data entry program, with instructions and guidelines for filling in and submission of data.</p> <p>The survey consultant will review all relevant compensation elements of each participating organisation to confirm whether it should be included or excluded from the survey according to the survey methodology.</p> <p>The survey consultant will provide any necessary assistance and ensure that information on the provision of benefits is effectively collected from the participating organisations through questionnaires and ensure consistency in the completion of questionnaires.</p>

Step	Guidelines
Data verification and validation	This work step involves a series of checks on the completeness of data (e.g. all known data elements present for all job-holders; all jobs that can be matched with the job descriptions are adequately represented by the data; consistency of the basis in compiling the pay data of different benchmark jobs). The survey consultant should review with the participating organisations for any gaps or inconsistencies identified.

VII. Data Analysis

Summary

Data can be analysed for each surveyed job, for each job family, and for all jobs at the same level. Different methods are available for combining pay level information for different surveyed jobs. We **recommend** calculating relevant private sector pay statistics corresponding to each job level of each civil service job family. These may then be combined by taking an average of the results for all job families at the same job level. This combined average provides a set of private sector pay statistics for comparison to the relevant range of pay points on the civil service pay scales.

Pay level information can be presented in terms of percentiles such as upper quartile, lower quartile and median as well as average. Averages may be weighted or unweighted. We **recommend** that the pay level statistics be based primarily on organisational practices, whereby each organisation participating in the pay level survey receives an equal weight regardless of the number of job-holders in that organisation.

We **recommend** that statistics be produced for different aggregates of cash compensation, e.g. base salary and total cash compensation for comparison with the relevant range of pay points on the civil service pay scales at a particular job level.

Aggregates of cash compensation

7.1. The process of data analysis should present factual statistical information on the market pay data collected from participating organisations, including the calculation of the relevant market pay data for different aggregates of cash compensation components collected (see paragraph 5.4 above) for individual jobs, for each job family, and for all jobs across job families at the same job level. Recognising the differences in the structuring of compensation package between the civil service and the private sector, we **recommend** analysing the following two aggregates of cash compensation by calculating the upper quartile, the median, the lower quartile and the average -

- (a) **Annual base salary**, defined as basic salary plus contractually guaranteed bonus. This aggregate provides an indicator of the most basic element of cash compensation for a private sector job; and
- (b) **Annual total cash compensation**, defined as annual base salary plus any other cash payments (including cash allowances and variable pay) except those that are conditional on particular working conditions (such as overtime or work location) or on individual circumstances (e.g. payments in reimbursement of business expenses). It gives a comprehensive measure of all cash compensation elements for a private sector job.

7.2. The private sector pay level statistics will be calculated for each of the aggregates described in paragraph 7.1, then compared to the relevant range of pay points on the civil service pay scales. The following two sets of pay data analyses will be presented:

- (a) **Annual base salary in the private sector compared to the annual civil service salary paid according to the corresponding range of pay points on the civil service pay scales.** In essence, this will indicate the comparison of the level of basic element of cash compensation for the relevant benchmark jobs but do not take into account cash allowances and variable pay. This is the most straight-forward way for comparison as the value of this aggregate can be obtained easily and is not affected by any differences between the two sectors in terms of provision of other cash compensation elements such as allowances and variable pay. Nevertheless, as this aggregate does not include all cash compensation elements and given the different structuring of the remuneration packages in the civil service and the private sector, this does not give a comprehensive measure of pay comparability between the two sectors; and
- (b) **Annual total cash compensation in the private sector compared to the annual civil service salary paid according to the corresponding range of pay points on the civil service pay scales with suitable adjustments to reflect the annual cost to Government of the provision of major cash allowances to civil servants.** These allowances include, for example, housing allowances and education allowances. This aggregate provides a comprehensive measure of all cash compensation elements. The variation and differences in the terms and manner of provision of certain cash compensation elements (such as cash allowances and variable pay) may complicate the comparison process. As set out in **Table 10** above, we shall collect information on the provision of total cash compensation to ensure that we have a proper understanding of all the relevant factors governing the provision of these cash compensation elements to make a fair and reasonable comparison.

7.3. For calculation of the value of the civil service allowances mentioned in paragraph 7.2(b) above, given that not all civil servants are eligible for these allowances and having regard to the experience gained in the 1986 Pay Level Survey that valuation of benefits or allowance based on the notional value would create problems and controversies, we **recommend** that the cost of the allowances be calculated based on the actual cost incurred and the actual utilisation pattern, rather than a notional value. A pay comparison based on the actual utilisation patterns and the actual costs incurred will give a more accurate reflection of the real value of compensation received by the civil servants over the survey reference period, because not all eligible officers will draw cash allowances from the schemes and it will be difficult to make a projection of the possible utilisation rate during the survey reference period based on past trends. Likewise, we shall also collect information on cash allowances based on the actual amount of

allowances paid to holders of the private sector benchmark jobs over the survey reference period.

7.4 Basic statistics to be calculated include the common percentiles usually calculated in pay level surveys – P25 or lower quartile, P50 or median, and P75 or upper quartile, where P represents percentile, as well as the average. For instance, the upper quartile defines the pay level that separates the 25% of organisations that pay the highest from the remaining 75% of organisations. For reasons of confidentiality and to ensure representativeness of the statistics, rules are usually placed on the minimum number of data points used to determine a percentile. For example, six data points for a median, and twelve data points for a quartile. Details of how these statistics will be compared with the relevant range of civil service pay points are set out in paragraph 7.8 below.

Consolidation of private sector pay indicators for individual job families

7.5 In calculating the private sector pay indicators for individual job families, there are two possible approaches, namely -

- (a) typical organisation practice approach; and
- (b) average job-holder pay approach.

7.6 Both approaches collect the actual pay data of the same group of job-holders and they differ in the way the collected data is consolidated. Under the typical organisation practice approach, the pay of all jobs in a particular job family at a particular job level in each surveyed organisation is combined to produce a single value for that organisation. The indicators from individual organisations are then consolidated (e.g. by calculating the average with each organisation being given equal weighting irrespective of the number of job-holders in that organisation) for each specified job family/job level. Such organisation-based indicators reflect the typical pay practices of private sector organisations for a particular job family at a particular job level.

7.7 Under the average job-holder pay approach, the pay of each job-holder in a particular job family at a particular job level is not combined at the organisation level but each is viewed as a data entry carrying equal weight.

7.8 The purpose of the pay level survey is to make a broad comparison of civil service pay levels across different grades and ranks (that is, the civil service pay practice) with private sector pay levels. The private sector pay levels are in turn a reflection of the pay practices of the private sector organisations participating in the survey. Thus, the comparison of the civil service “practice” to the typical organisation practice is the most relevant comparison. We **recommend** the typical organisation practice approach for the following reasons –

- (a) The pay level survey compares the private sector pay ranges with the relevant range of pay points on the civil service pay scales. The civil service pay scales are an indicator of the “civil service pay policy” where pay levels of individual job-holders will be determined based on the existing internal pay relativities amongst civil service grades and ranks sharing similarity in job content and requirements etc. The typical organisation practice takes a snapshot of the average actual pay levels within each organisation for the benchmark jobs which are, likewise, determined having regard to the necessary relativities of jobs within the organisation. It is the typical organisation pay practice which is most relevant to the pay level survey to provide benchmark reference for setting the pay practice of the civil service;
- (b) If the average job-holder pay approach was adopted, there would be a risk that the findings of the pay level survey is unduly influenced by a small number of exceptionally high-paying or low-paying organisations which employ a large number of certain private sector benchmark jobs. As different private sector benchmark jobs falling within the same job family and job level will be statistically combined, our recommendation not to adopt the average job-holder pay approach seeks to forestall the possibility that the market statistics obtained from the pay level survey in practice reflect the pay practices of only a small number of organisations that employ a large number of certain private sector benchmark jobs in the survey field. The reverse case – that one small organisation will distort the findings under the typical organisation practice approach – is less likely as the survey should cover a reasonable number of sufficiently large organisations in the survey field (see paragraph 4.5 above) each with a sound pay administration system; and
- (c) There can be a wide dispersion of pay levels of individual job-holders, even within a single organisation with a highly-structured pay administration system. A range of 20% or even 30% above or below the typical pay practice is not uncommon. Pay level statistics such as upper quartiles and lower quartiles could in some circumstances be much higher or lower, respectively, than is the case for the typical organisation practice approach. Such deviation from the typical pay practice has, in many cases, resulted from the particular circumstances of individual job-holders. The pay level survey seeks to provide for comparison a market reference of the pay of broadly comparable private sector jobs that corresponds to the relevant range of pay points on the civil service pay scales, but not for determining the precise pay levels of individual civil service ranks. It would thus be misleading and inappropriate to assess or adjust the civil service pay scales in the light of the range of pay practices prevailing for individual job-holders.

7.9 As part of the trial survey, we have tested the different data consolidation approaches by checking the work steps involved. The work

steps involved under the typical organisation practice approach and the average job-holder pay approach are illustrated at **Annex F**.

Data analysis methods

7.10. Given that many different civil service grades and ranks of similar work nature with similar requirements on qualification and experience share overlapping, but not necessarily identical, pay scales, we should avoid generalising the pay levels of broadly comparable private sector jobs into one single figure. We **recommend** instead to analyse the aggregation of private sector pay practices for all private sector benchmark jobs at each job level in terms of the lower quartile, the median, the average and the upper quartile and then compare these analyses to the range of civil service pay points that has been defined for that job level. For example, the private sector pay statistics derived for Job Level 2 (MPS 11-23) include the value at the level of the lower quartile, the median, the average and the upper quartile. Each of these values can be compared with the upper end, lower end and mid-point of the relevant civil service pay scale, i.e. MPS 11, MPS 23, and MPS 18 (i.e. the mid-point of MPS 11-23).

7.11. We should emphasise that we are not comparing the pay level of an individual civil service job with the pay of its private sector counterpart, but rather the pay range of a group of civil service benchmark jobs that share a similar range of pay points on the civil service pay scales with the pay range of private sector jobs that are broadly comparable in terms of job content, work nature, level of responsibility and typical requirements on qualification and experience. The recommended approach helps achieve a comparison of the pay range of a group of broadly comparable jobs having regard to the inherent differences between the civil service and the private sector.

7.12. There are two possible methods to relate the private sector pay data at each job level back to the relevant range of civil service pay points for comparison purpose. The two methods are -

- Method 1: Job family-based average/weighted average method
- Method 2: Organisation-based average method

Method 1: Job family-based average/weighted average method

7.13. This method combines all private sector pay indicators for each job family (based on either of the two methods set out in paragraphs 7.6-7.7 above) to give one analysis for each civil service job level. One option is to calculate the weighted average of the private sector pay indicators from different job families at the same job level in accordance with the civil service establishment sizes of the respective job families. Alternatively, we may calculate the unweighted average of the private sector pay indicators from the relevant job families at the same job level. The data consolidation and analysis process of this method is illustrated at **Annex F**.

Method 2: Organisation-based average method

7.14. Under this method, all job-holder pay data for private sector jobs matched to the relevant civil service job level are averaged to determine one value per organisation at each pay level across the 5 job families. The organisation-based indicators for each pay level are then combined to give one overall analysis of all jobs at each job level. This method tends to gloss over potential differences in the pay levels among different job families in the private sector. The private sector pay data thus obtained may be too general in nature to provide a credible and meaningful basis for comparison with civil service pay levels. The data consolidation and analysis process of this method is illustrated at **Annex F**.

7.15. We **recommend** Method 1 (i.e. the job family-based average/weighted average method) for the following reasons -

- (a) This method provides a consolidated indicator of the private sector pay levels across all job families for each job level. This ties in with the broad comparability principle under which civil service jobs of broadly similar job content and work nature, level of responsibility and work requirements should be grouped together (into one job level) for pay comparison with private sector jobs broadly comparable in the above aspects; and
- (b) While giving a consolidated indicator for each job level, unlike Method 2 (i.e. the organisation-based average method), this method also reflects for reference the differences, if any, in the pay levels among different job families in the private sector.

7.16. We also **recommend** that the consolidated indicator for each job level be produced by calculating an unweighted average of the pay indicators for different job families at the same job level. Civil service jobs at the same job level (i.e. having similar level of responsibility and typical requirements on qualification and experience) share a similar range of pay points on the civil service pay scales. Jobs at each job level share similarity in the level of responsibility and the range of pay points under the established system of internal pay relativities in the civil service. Such internal pay relativities were established on the basis of the relative job requirements and level of responsibility among civil service jobs, irrespective of the establishment size of each job. We therefore consider that the other option of calculating the weighted average of pay indicators in accordance with the civil service establishment sizes of the respective job families undesirable as it may unduly upset the established pay structure and internal pay relativities by weighting the findings according to the establishment size. Job families should be more accurately regarded as a tool to provide additional information on the relative pay level of private sector jobs across different job families, rather than a quantitative framework based on which the pay comparison between the civil service and the private sector should be made.

7.17. **Annex F** also shows detailed work steps of the data analysis process according to the approach we recommend above. The annex shows how the pay indicator for each job family at each job level is calculated, and how pay indicators for different job families at the same job level are then combined to produce an overall pay indicator for that job level. It also shows how the private sector pay indicator for each job level in the form of pay data at different levels (upper quartile, median, lower quartile, and average) are compared to the lower, middle and upper ends of the relevant civil service pay scales.

7.18. The proposed analysis of data of annual base salary and annual total cash compensation at different levels (upper quartile, median, lower quartile and average) in the private sector would facilitate a comprehensive comparison of the different ranges of private sector pay with the relevant range of the civil service pay scales at each job level. Based on the individual statistical data, we can plot lines and graphics to indicate how the ranges of pay data between the two sectors are compared (an example is shown in **Annex F**). We can also focus on certain benchmark indicators to provide specific guidance to the comparison results. We **recommend** that the benchmark indicators set out in **Table 13** be calculated for each job level:

Table 13

Indicator	Rationale	Example (e.g. Job Level 3)
1. To compare the median of private sector annual base salary to the mid-point of the relevant range of pay points on the civil service pay scales	This indicator compares the most basic cash compensation element of the two sectors. It aims to ascertain the competitiveness of the civil service pay scales by comparing the average pay levels of civil service jobs at a particular job level (represented by the mid-point of the relevant civil service pay scale for that job level) with the typical pay practice (represented by the median) for that job level in the private sector.	To compare the median of private sector annual base salary to the dollar value of MPS 29 (mid-point of the relevant range of pay points on the civil service pay scales for Job Level 3 (i.e. MPS 24-33)) times 12.
2. To compare the upper quartile of private sector annual base salary to the upper end of the relevant range of pay points on the civil service pay scales	This indicator compares the most basic cash compensation element of the two sectors. It aims to ascertain the competitiveness of the civil service pay scales by comparing the pay of the more experienced civil servants at a particular job level (represented by the upper end of the relevant range of pay points on the civil service pay scales for that job level) with the pay practice of the better paying organisations (represented by the upper quartile level) for that job level in the private sector.	To compare the upper quartile of private sector annual base salary to the dollar value of MPS 33 (upper end of the relevant range of pay points on civil service pay scales for Job Level 3 (i.e. MPS 24-33)) times 12.

Indicator	Rationale	Example (e.g. Job Level 3)
<p>3. To compare the <u>median</u> of private sector <u>annual total cash compensation</u> to the <u>mid-point</u> of the relevant range of pay points on the civil service pay scales plus the major types of civil service <u>cash allowances</u></p>	<p>This indicator compares the more comprehensive cash compensation packages of the two sectors. It aims to ascertain the competitiveness of the average level of the civil service cash compensation package by comparing the pay (represented by the mid-point of the relevant range of pay points on the civil service pay scales for that job level) plus the actual cost of provision of major types of civil service cash allowances for a particular job level with the typical practice (represented by the median) of the total cash compensation for that job level in the private sector.</p>	<p>To compare the median of private sector annual total cash compensation to the dollar value of MPS 29 times 12 plus the average actual annual cost of provision of major types of cash allowances in the civil service (e.g., housing allowances and education allowances).</p>
<p>4. To compare the <u>upper quartile</u> of private sector <u>annual total cash compensation</u> to the <u>upper end</u> of the relevant range of pay points on the civil service pay scales plus the major types of civil service <u>cash allowances</u></p>	<p>This indicator compares the more comprehensive cash compensation packages of the two sectors. It aims to ascertain the competitiveness of the civil service cash compensation package by comparing the pay (represented by the upper end of the relevant range of pay points on the civil service pay scales for that job level) plus the actual cost of provision of major types of cash allowances payable to the more experienced civil servants at a particular job level with the total cash compensation practice of the better-paying organisations (represented by the upper quartile level) for that job level in the private sector.</p>	<p>To compare the upper quartile of private sector annual total cash compensation to the dollar value of MPS 33 times 12 plus the average actual annual cost of provision of major types of cash allowances in the civil service.</p>

The indicators in **Table 13** are just some of the possible options and they are subject to further refinement having regard to the information on the prevailing practice of the structuring of the private sector remuneration package to be collected in the course of the upcoming pay level survey.

7.19. In the light of the differences in the structuring of the remuneration packages between the civil service and the private sector, the following factors should be considered before drawing any conclusion on the results of the pay comparison between the two sectors:

- (a) the analyses of annual base salary and annual total cash compensation;
- (b) up-to-date information on the structuring of the remuneration package and the prevalence of employee benefits in the private sector; and

- (c) 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

Summary

The pay level survey should be the principal means for ascertaining whether civil service pay is broadly comparable with private sector pay. If the pay level survey is conducted at a frequency of three to five years, we **recommend** that the Administration may consider making reference to pay trend analyses available in the market, instead of conducting customised pay trend analyses. If the pay trend survey is to be continued, we **recommend** that the survey field be aligned with that of the pay level survey. The survey should collect data on total cash compensation. We also **recommend** that the survey should also collect policy information on the provision of variable pay to help ascertain which are the elements of pay change that need to be taken into account to provide broad reference for any necessary adjustments to civil service pay.

8.1 Under the improved civil service pay adjustment mechanism, pay level surveys will be the principal means for ascertaining whether civil service pay is broadly comparable with private sector pay. On the other hand, pay trend surveys are intended to measure the year-on-year movements in the private sector pay trends to provide reference for any necessary fine-tuning of civil service pay in between two reviews of civil service pay levels. If pay level surveys are conducted frequently, say every three to five years, the precision (in terms of following the existing method for calculating the pay trend indicators) and comprehensiveness (in terms of the coverage of pay elements for ascertaining the year-on-year changes) required of the pay trend surveys will not be as critical as compared to the existing arrangement where pay level surveys are not conducted periodically. The key issue here is to consider whether pay trend surveys should continue to be conducted in their present form, and if so, what are the necessary improvements to the existing methodology to ensure that the pay level survey and the pay trend survey will work in coordination under an integrated framework.

8.2 Assuming that the pay level survey is conducted every three to five years, the highly precise methodology of the current pay trend survey may not be necessary. Instead, we shall need only broad-brush indicators of year-on-year pay movements in the private sector as any significant movement in private sector pay levels will be captured by the periodic pay level surveys.

8.3 The Administration may, therefore, consider using pay trend analyses available in the market (e.g. those provided by private sector organisations such as the Hong Kong Institute of Human Resource Management (HKiHRM) and consulting companies). These analyses can provide a range of indicators about past and expected trends in private sector remuneration, which can be used as a reference in considering annual adjustments to civil service pay alongside other relevant considerations such as budgetary considerations, the state of the economy, staff's views, etc.

8.4. Private sector survey providers already conduct regular surveys of historical and projected salary adjustments. The values most commonly

produced by these surveys relate to the average changes in base salary from year to year. Some survey providers may be able to analyse changes in total cash compensation as well. For example, the HKiHRM pay trend survey covers over 100 local and multi-national companies having a systematic practice to determine pay levels and employing more than 100 staff. These companies are drawn from 14 business sectors and collectively employ over 120 000 staff. The survey is updated in January, April and October every year. The pay trend survey measures the adjustment to annual basic salaries by size of company, salary levels, and sectors. Adjustments to annual basic salaries exclude the effects of promotions, upgrading of jobs, or other factors affecting individual employees. The pay trend indicators exclude changes, if any, in cash allowances or changes in the size of variable pay awards. The survey separately collects and analyses data on guaranteed and non-guaranteed bonuses, including proportion of companies with guaranteed bonus, proportion with non-guaranteed bonus, proportion of employees awarded non-guaranteed bonus, and trends in the size of non-guaranteed bonus. The information on trends of pay and bonuses will serve as broad indicators of any major movements in these cash compensation elements over the preceding year. As regards other private sector survey providers, they can also access their pay databases to calculate actual movements in total cash compensation from year to year within a group of selected organisations. These measurements are not limited to base salary but can also take into account changes in other cash compensation elements including cash allowances and variable pay. By drawing from a number of these sources, a more representative indicator of private sector year-to-year pay movements may be developed based on the data from a larger pool of organisations as compared with tracking the pay movements through the pay trend survey. As the private sector rarely differentiates general or inflationary pay adjustments from performance-based adjustments, some adjustment would still need to be made to these statistics to control for civil service increments.

8.5. If the pay trend survey is to be retained, we **recommend** that it may be streamlined and simplified in the following regards –

- (a) Align the survey field with that of the pay level survey to enhance consistency. Given their differences in terms of the survey purpose, the survey field of the pay level survey (as set out in **Table 9** above) and the pay trend survey (as set out in paragraph 4.1 above) are not necessarily identical. For instance, some of the organisations to be surveyed in the pay level survey are selected on the ground that they have a sufficient number of jobs that are broadly comparable to civil service benchmark jobs, while meeting other selection criteria commonly applicable to both pay level surveys and pay trend surveys (e.g. organisations should determine pay levels on the basis of factors and considerations applying to Hong Kong, be steady and good employers conducting wage and salary administration on a rational and systematic basis, etc.). Such criterion on the availability of broadly comparable jobs is not relevant to the pay trend survey, i.e. there is no need to pay attention to this criterion in selecting private

sector organisations to be surveyed. Nonetheless, for criterion which are relevant to both surveys, we should ensure that the organisations to be surveyed are selected on a consistent basis with regard to these criteria (for instance, the technical consideration for judging whether an organisation has made reference to local factors in determining and adjusting the pay levels of their employees should be consistently applied in both surveys);

- (b) Adopt the same unweighted average method as recommended for the pay level survey. The pay trend survey aims to reflect the trend of private sector pay movements which are governed by the organisation practice. For a true reflection of the prevailing trend in the private sector, each organisation should be given equal weight provided that they meet the selection criteria for the pay trend survey which are set out in paragraph 4.1 above. This already ensures that the organisations to be covered in the survey field are steady and good employers conducting wage and salary administration on a rational and systematic basis and normally employing 100 or more staff;
- (c) Conduct the pay trend survey only in the interim years between two pay level surveys, as the pay level survey is the primary mechanism for determining pay levels and adjustments in that year will be based on pay levels rather than the pay trends in the preceding year; and
- (d) Collect data on changes to total cash compensation for consistency with the survey field of pay level survey.

8.6. As regards the pay trend data to be collected, we have examined the relative merits and shortcomings of collecting information on movements in fixed pay (i.e. base salaries and cash allowances) only or collecting information on movement in total cash compensation (i.e. fixed pay plus variable pay such as bonuses which are subject to individual and/or organisational performance and/or management discretion). Collection of total cash compensation provides a comprehensive measure of all cash compensation elements and facilitates capturing of possible trends of conversion of base pay into variable pay in the private sector. This approach has been adopted in previous pay trend surveys, which took into account changes in inscale increment, merit payment, allowances and bonuses. On the other hand, we should note that changes in variable pay is more volatile and this factor would need to be taken into account in referring to the pay trend information, among other factors, for consideration of any necessary adjustment to civil service pay levels.

8.7. Having considered the relative merits and shortcomings of the two approaches set out in paragraph 8.6 above, we **recommend** collecting data on changes to the total cash compensation (i.e. base pay, cash allowances and variable pay) which is regarded as a good indicator of the worth of the duties performed by the employee and provides a consistent basis for surveys in different years. We also **recommend** collecting information on

the practice regarding provision of total cash compensation (e.g. the structuring of the package, the factors taken into account, etc.) to ensure that only the relevant data will be collected. For instance, we **recommend** excluding adjustments which are related to individual circumstances (e.g. reimbursement of business expenses) and thus may not be applicable to other private sector organisations. This approach will help ensure consistency with the pay level survey methodology and provide relevant reference, among other factors, for consideration of any fine-tuning to civil service pay in between two pay level surveys.

8.8. For future pay trend surveys, regardless of whether the pay trend analyses are collected in a special survey or drawn from available sources, we **recommend** that the pay trend data should reflect movements in pay over a recent twelve-month period.

8.9. The pay level survey will gather information for five job levels, whereas the current pay trend survey covers three broad salary bands. Some existing private sector surveys already align their analyses with the three civil service salary bands. We **recommend** that the pay trend methodology should continue to rely on the existing three-band approach (equivalent to Job Level 1, Job Level 2+3, and Job Level 4+5) because it is unlikely that any higher degree of precision in the survey would have any significant practical implications in considering adjustments to civil service pay. If there were five bands, differences in pay trends amongst the bands might have little statistical validity even if the pay trends are calculated systematically for the five bands.

IX. Next Steps

9.1. This final report outlines the recommended methodology of the pay level survey.

9.2. Before the survey field work can begin and assuming that the recommended broadly-defined job family method is adopted, there are a number of necessary steps for job selection and job alignment processes, including : selection of civil service benchmark jobs based on the selection criteria (as set out in paragraphs 2.42-2.45 above); identifying private sector matches on a preliminary basis (as set out in paragraph 3.1 above); categorising these benchmark jobs in the civil service and the private sector into job families and job levels (as set out in paragraph 3.1 above), and preparation of job descriptions for identifying private sector benchmark jobs (as set out in paragraph 3.5 above). The survey consultant also needs to confirm if the list of private sector organisations for inclusion in the survey field meet the criteria as set out in **Table 9** above. The job descriptions for identifying private sector benchmark jobs in the organisations to be surveyed must be developed by persons knowledgeable about the structure of jobs in the private sector after conducting a thorough job inspection. The process of the proposed job inspection process and the development of the private sector job descriptions for identifying private sector benchmark jobs, as set out in paragraphs 3.10-3.11 above, including discussions with grade/departmental management and representativeness of job-holders of civil service benchmark grades and ranks to ascertain the details of the work nature and job requirements of the proposed civil service benchmark jobs, to facilitate the preparation of private sector job descriptions for identifying the corresponding private sector benchmark jobs in the surveyed organisations, and to consider any necessary refinement to the categorisation of the civil service benchmark jobs into job families and job levels.

9.3. The documented results of the proposed job inspection process will provide the survey consultant with an in-depth knowledge of the jobs to ensure the quality of the job matching process conducted with the private sector organisations participating in the survey.

9.4. The civil service benchmark jobs, along with the respective categorisations into job families and job levels, as well as the private sector matches given in **Annex C**, are for illustration only and are subject to further refinement.

9.5. Following the job inspection process, the survey consultant to be engaged under the phase two consultancy will be required to carry out the field work of the pay level survey. **Table 12** presents the steps that the survey consultant will need to follow in conducting the pay level survey. The survey consultant will collect and analyse the market pay information and prepare the analysis reports. The Administration will, taking account of the pay level survey results and other relevant factors, decide the necessary adjustments, if any, to civil service pay scales.

9.6. Other critical issue areas relating to the conduct of the pay level survey which require further consideration are:

- (a) The appropriate private sector pay indicators to be used as the primary reference. We have suggested some possible indicators in **Table 13** above, e.g. to compare the median of private sector annual base salary to the mid-point of the relevant range of pay points on the civil service pay scales; to compare the upper quartile of private sector annual base salary to the upper end of the relevant range of pay points on the civil service pay scales; to compare the median of private sector annual total cash compensation to the mid-point of the relevant civil service pay scale plus the actual cost of provision of major types of civil service cash allowances; and to compare the upper quartile of private sector annual total cash compensation to the upper end of the relevant range of pay points on the civil service pay scales plus the actual cost of provision of major types of civil service cash allowances; and
- (b) Whether the pay trend survey will be resumed in its current or modified form, or whether it will be replaced by making reference to private sector pay trend surveys and analyses carried out by outside parties (see paragraphs 8.1-8.4 above).

9.7. The pay level survey and the pay trend survey aim to collect, in a professional manner, private sector data on pay levels and pay trends as broad reference, among other factors, for consideration of any necessary adjustment to the civil service pay scales. The comparison results cannot, and should not, be regarded as a precise measure of any pay disparity between the two sectors. In making a decision on the application of the survey results, the Administration should take into account all other relevant factors including the inherent differences between the two sectors and other policy considerations as set out in paragraph 1.1 of this report.