

**Summary of the views expressed previously by the  
staff side members of the  
Consultative Group on Civil Service Pay Adjustment Mechanism**

**Purpose**

This paper summarises the views expressed by the staff side members of the Consultative Group on Civil Service Pay Adjustment Mechanism (the Consultative Group) on previous occasions and the responses respectively of the Civil Service Bureau (CSB) and the consultant engaged to provide technical assistance in the design of the methodology of the pay level survey (the Phase One Consultant).

**Background**

2. During the period from April 2003 (i.e. when the Consultative Group was established) to November 2004 (i.e. when the Consultation Paper on the Proposals on the Methodology of the Pay Level Survey and the Application of the Survey Results was issued), the Consultative Group had held 13 meetings and 6 technical sessions. During these meetings/sessions, the CSB and the Phase One Consultant had detailed discussions with the staff side members on various issues concerning the exercise on the development of an improved civil service pay adjustment mechanism, including the work plan for the exercise, the relevant policy considerations, the broad framework of the improved civil service pay adjustment mechanism, the pay level survey methodology and the approach for applying the survey results to the civil service.

3. At the 15<sup>th</sup> meeting of the Consultative Group held on 21 January 2005, the CSB undertook to stocktake for members' reference the views expressed by the staff side members on previous occasions and the responses respectively of the CSB and the Phase One Consultant to these views.

## **Staff side's views and CSB/Phase One Consultant's responses**

4. A summary of the views expressed by the staff side members of the Consultative Group on previous occasions and the responses respectively of the CSB and the Phase One Consultant is at the Appendix. As noted from the summary table, the CSB and the Phase One Consultant have in the process taken on board many of the views expressed by the staff side members and have sought to address their various comments and concerns. For example –

- (a) At the early stage of the exercise, the CSB has, in consultation with the staff side members, revisited the civil service pay policy and identified those policy considerations that are of particular relevance to the current exercise (see item 1 in the Appendix);
- (b) In view of the staff side members' concern about whether the proposed job comparison method could take full account of the nature and duties of the civil service benchmark jobs, the Phase One Consultant has recommended that an intensive job inspection process be carried out to ascertain details of the work nature and job characteristics of all potential civil service benchmark jobs, which will form the basis for identifying corresponding private sector benchmark jobs (see item 6 in the Appendix);
- (c) Taking account of the views of the staff side that we should make a comprehensive pay comparison between the civil service and the private sector as far as possible, the Phase One Consultant has recommended that all cash compensation elements, including basic salary, guaranteed bonuses, cash allowances (except for those payments which are conditional on specific working conditions or individual circumstances) and variable pay, should be taken into account (see item 35 in the Appendix);
- (d) Having regard to the views of the staff side, the Phase One Consultant has recommended that the consultant conducting the survey field work (the Phase Two Consultant) 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 rather than using the Phase Two Consultant's existing database (see item 46 in the Appendix);

- (e) Taking account of the feedback of the staff side members, the CSB has proposed that if the pay level survey results indicate that civil service pay levels exceed the private sector pay levels, we should freeze the pay of all serving officers (irrespective of whether their appointment dates were before or after 30 June 1997) at the prevailing levels until it is caught up by the private sector pay levels (see items 58 and 59 in the Appendix); and
- (f) Having regard to the views of the staff side members, the CSB intends to carry out individual grade structure reviews for those grades/ranks which have experienced significant changes in their job nature and requirements in recent years and which continue to have a recruitment need, after we have completed the current exercise on the development of an improved civil service pay adjustment mechanism (see item 64 in the Appendix).

Civil Service Bureau  
March 2005

**Summary of the views expressed previously by the staff side members of the  
Consultative Group on Civil Service Pay Adjustment Mechanism  
and the responses of the Civil Service Bureau and the Phase One Consultant**

**I. Relevant policy considerations**

<b>Major views expressed by the staff side members</b>	<b>Response of the Civil Service Bureau</b>	<b>Response of the Phase One Consultant</b>	<b>Remarks</b>
<p>1. We should first clarify issues of principle regarding the civil service pay policy (e.g. positioning of the civil service pay policy) and seek to reach the broadest possible consensus with staff on all relevant issues.</p>	<p>We discussed the civil service pay policy at length at the 3<sup>rd</sup> meeting of the Consultative Group<sup>1</sup>. Following our discussion with the staff side, we have set out the policy considerations guiding the development of an improved civil service pay adjustment mechanism in the Progress Report on the Development of an Improved Civil Service Pay Adjustment Mechanism for the Civil Service<sup>2</sup> (the Progress Report) (see paragraphs 13-31) and the Consultation Paper on the Proposals on the Methodology of the Pay Level Survey and the</p>	<p>In drawing up the methodology of the pay level survey, due regard has been given to all relevant policy considerations guiding the development of an improved civil service pay adjustment mechanism (see paragraph 6 of the Interim Report on the Methodology of a Pay Level Survey for the Civil Service<sup>5</sup> (the Interim Report), and paragraphs 1.1 and 1.4(a) of the Final Report on the Methodology of a Pay Level Survey for the Civil Service<sup>6</sup> (the Final Report).</p>	<p>Following discussion with staff side members, CSB has revisited the civil service pay policy and identified the relevant policy considerations.</p>

<sup>1</sup> A paper entitled "Policy considerations guiding the development of an improved civil service pay adjustment mechanism" was discussed at the 3rd meeting of the Consultative Group held on 22 August 2003.

<sup>2</sup> Published by the Civil Service Bureau on 26 November 2003. A copy is available on CSB's website at <http://www.csb.gov.hk>.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	<p>Application of the Survey Results<sup>3</sup> (the Consultation Paper) (see paragraphs 2.1-2.2). These policy considerations have incorporated many of the comments made by the staff side<sup>4</sup>.</p> <p>We have asked the Phase One Consultant to take into account all the relevant policy considerations in drawing up the methodology of the pay level survey. For those policy considerations that cannot be directly addressed in the pay level survey, we shall take them into account in considering any necessary adjustments to civil service pay following the pay level survey.</p>		

<sup>3</sup> Issued by the Civil Service Bureau on 4 November 2004 for extensive consultation until 7 January 2005.

<sup>4</sup> For example, some members have suggested that the civil service pay policy should also be conducive to maintaining a stable civil service and nurturing the core values of the civil service and that it should also include the principle that civil servants should share the ups and downs of the economy. These comments have been incorporated in the policy considerations set out in the Progress Report and the Consultation Paper as appropriate.

<sup>5</sup> Submitted by the Phase One Consultant to the Civil Service Bureau in January 2004.

<sup>6</sup> Submitted by the Phase One Consultant to the Civil Service Bureau in November 2004. A copy is available on CSB's website at <http://www.csb.gov.hk>. Prior to the submission of the Final Report, in June 2004 the Phase One Consultant submitted to the Civil Service Bureau a draft Final Report on the Methodology of a Pay Level Survey for the Civil Service. The draft Final Report was distributed to the staff side members for comment and discussion at the Consultative Group meetings.

## II. Job comparison method

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>2. We should learn from the experience of the 1986 Pay Level Survey and identify areas for improvement.</p>	<p>We have asked the Phase One Consultant to make reference to the lessons learnt in the 1986 Pay Level Survey and consider how to address the problems encountered.</p>	<p>Before putting forward his recommendation on the job comparison method, the Phase One Consultant has analysed the merits and shortcomings of four common methods, including the job comparison method adopted in the 1986 Pay Level Survey. The Phase One Consultant has also considered the comments and criticisms raised in respect of the method adopted in the 1986 Pay Level Survey, which are set out in Annex 1 to the Interim Report and Annex B to the Final Report.</p>	<p>The Phase One Consultant has taken on board staff side's views in drawing up his proposal.</p>
<p>3. The Phase One Consultant should explain how the proposed broadly-defined job family method could address the criticisms raised on the job factor comparison method adopted in the 1986 Pay Level Survey.</p>	<p>We have asked the Phase One Consultant to address the criticisms against the methodology adopted in the 1986 Pay Level Survey and explain how the proposed broadly-defined job family method can address these criticisms.</p>	<p>The Phase One Consultant has set out in a note entitled "Supplementary Information on the Consultant's Initial Recommendations"<sup>7</sup> (the Supplementary Information) (see paragraphs 2-3 and table 1) and the Final Report (see Table 5) how the proposed broadly-defined job family method seeks to address the criticisms raised in connection with the job factor comparison method</p>	<p>The Phase One Consultant has given the explanation as requested.</p>

<sup>7</sup> At the 9<sup>th</sup> Consultative Group meeting held on 18 March 2004, the Phase One Consultant presented to the staff side his initial recommendations on the approach to the pay level survey. In response to the staff side members' questions and comments, the Phase One Consultant presented a supplementary information note on his initial recommendations to the staff side at an exchange session held on 29 March 2004.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>adopted in the 1986 Pay Level Survey. For example, on the criticism that the methodology adopted in the 1986 Pay Level Survey took account of only three job factors (i.e. know-how, problem solving and accountability), the Phase One Consultant has explained that the proposed broadly-defined job family method seeks to compare civil service jobs with private sector jobs that are broadly comparable in terms of job nature and content as well as the level of responsibility and typical qualification and experience requirements, rather than to establish job comparability based on a quantitative process that takes account of only a few factors (such as the job factor method adopted in the 1986 Pay Level Survey).</p>	
<p>4. The Phase One Consultant should explain how the proposed broadly-defined job family method can overcome its shortcomings and why it is better able than other methods to meet the objectives of the survey and to address the various technical issues.</p>	<p>We have asked the Phase One Consultant to analyse the shortcomings of the proposed broadly-defined job family method relative to the other methods, propose measures to address these shortcomings and explain why the proposed method is better able than the others to meet the objectives of the pay</p>	<p>The Phase One Consultant's recommendations on how the broadly-defined job family method could be improved to address its relative shortcomings, in comparison with other job comparison methods, are given in the Supplementary Information (see Table 2) and the Final Report (see Table 4). For example, to address the concerns that job matches under the proposed broadly-defined job family method may not be as obvious as</p>	<p>The Phase One Consultant has given the explanation as requested.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	level survey.	<p>compared with the job matching method, the Phase One Consultant has proposed that an intensive job inspection process should be conducted to ascertain the details of job characteristics and work nature of civil service benchmark jobs so as to facilitate the preparation of detailed job descriptions for identifying corresponding private sector job matches.</p> <p>The Phase One Consultant's recommendation to adopt the broadly-defined job family method is based on a careful examination of the respective merits and shortcomings of the four possible job comparison methods, which are set out in the Interim Report (see Tables 1, 3 and 5) and the Final Report (see Tables 1, 2 and 3). The Phase One Consultant has recommended the criteria for assessing the feasibility and suitability of different job comparison methods (see paragraph 2.2 of the Final Report) and assessed four common methods in the light of the recommended criteria (see paragraphs 2.25-2.30 of the Final Report). In overall terms and having regard to the inherent difficulties and limitations of comparing civil service jobs and private sector jobs, the Phase One Consultant considers that the broadly-defined job family method with the</p>	

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		adjustments he has proposed is more able than the other methods to meet the objective of the pay level survey and to address the various technical issues (see paragraphs 5-6 in the Supplementary Information and paragraphs 2.31-2.39 of the Final Report).	
5. Apart from education qualification, the job comparison method should take account of other job requirements such as experience, skills, etc.		Under the proposed broadly-defined job family method, civil service jobs and private sector jobs that are similar in terms of job nature and content, level of responsibility, qualification and experience requirements would be matched and the relevant pay data will then be collected for pay comparison between the two sectors. Thus, the methodology would take account of various aspects (including requirements on skills and experience) and not just the education qualification requirements of jobs.	The Phase One Consultant has taken on board staff side's views in drawing up his recommendation.
6. The job comparison method should take account of the inherent differences between the civil service and the private sector. The proposed methodology is too broadbrush and fails to take account of the	We have discussed with the Consultative Group members the inherent differences between the two sectors. Such differences are set out in the Progress Report (see paragraph 22) and the Consultation Paper (see paragraph 2.3).	Under the proposed broadly-defined job family method, civil service jobs and private sector jobs that are broadly comparable in job content, work nature, level of responsibility and typical requirements on qualification and experience are matched to serve as a basis for pay level comparison. To facilitate the job alignment process, the Phase One Consultant recommends an	The Phase One Consultant has suggested measure to address the views of the staff side. CSB has suggested to take account of the

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>characteristics of individual jobs, the differences between the civil service and the private sector (in terms of the nature of operation, working conditions, appointment and remuneration practices, etc.), as well as the uniqueness of the civil service.</p>	<p>We have asked the Phase One Consultant to consider whether and, if so, how such inherent differences can be addressed in the pay level survey. The Government will take them into account in considering how the pay level survey results should be applied to the civil service (also see item 4 of the Q&amp;A Note (April 2004)<sup>8</sup>).</p>	<p>intensive job inspection process to ascertain details of the work nature and job characteristics of all potential civil service benchmark jobs, which will form the basis for identifying corresponding private sector benchmark jobs.</p> <p>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 jobs 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. After assessing the relative merits and shortcomings of four alternative approaches for job comparison<sup>9</sup>, the Phase One Consultant considers that the</p>	<p>inherent differences in considering the application of the survey results.</p>

<sup>8</sup> At the Consultative Group meeting held on 18 March 2004, the Phase One Consultant presented to the staff side his initial recommendations on the approach to the pay level survey. A summary of the questions/comments raised by the staff side members on the Phase One Consultant's initial recommendations at that meeting and at an exchange session held on 29 March 2004, and the response respectively from the Phase One Consultant and CSB was provided to the staff side in April 2004.

<sup>9</sup> The four alternative approaches are – (a) Job Matching Method: aligning jobs that are highly similar in job nature and content; (b) Job Family Method: a variation of (a) above whereby jobs related by discipline, function or nature of work are put in a hierarchy of job levels within the same job family; (c) Job Factor Comparison Methods: aligning jobs, regardless of function or specialisation, with similar scores assessed by a job evaluation methodology on the basis of certain job factors; and (d) Qualification Benchmark Method: aligning jobs based on similarity of entry requirements.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>recommended broadly-defined job family method is better than the others.</p> <p>Through the job inspection process, the Phase Two Consultant will identify and highlight those duties that are unique to civil service jobs. The Government will take account of these unique duties in considering how the pay level survey results should be applied to the civil service.</p>	
<p>7. The Phase One Consultant should clarify the yardstick for assessing the extent of broad comparability/ similarity between the duties of two jobs and explain how the proposed methodology could take account of those duties of civil service benchmark jobs that could not be found in the duties of similar positions in the private sector.</p>	<p>The Phase One Consultant has advised that no job comparison method can directly and satisfactorily address all the inherent differences between the two sectors in a pay level survey. Our current policy of maintaining broad comparability, rather than strict comparability, between civil service pay and private sector pay has taken account of such inherent differences. The pay level survey results will serve as broad reference of the extent of comparability between civil service pay and private sector pay. In considering any necessary adjustments to civil</p>	<p>The relevant considerations and the relative importance of each job characteristic vary from job to job. The Phase One Consultant has advised that all relevant job characteristics should be considered as a whole in ascertaining job comparability. It would be arbitrary and impractical to set any minimum acceptable level of similarity in job duties. This would also tend to gloss over the relative importance of different job characteristics for different jobs. It would be more appropriate for comparability of jobs to be ascertained professionally by a survey consultant who is knowledgeable about the structure of jobs in the private sector and having regard to the job characteristics of the civil service benchmark jobs obtained from an intensive job</p>	<p>The Phase One Consultant has explained why the suggestion is not accepted.</p>

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	<p>service pay following the pay level survey, the Government will take into account the survey results as well as other relevant considerations, including the inherent differences between the two sectors, the budgetary considerations, the state of the economy, changes in the cost of living, the views of staff as well as staff morale.</p>	<p>inspection process (see item 15 of the Q&amp;A Note (August 2004)<sup>10</sup> and paragraph 2.3 of the Final Report).</p>	
<p>8. The starting salaries survey should take account of the fact that the actual qualifications and experience of the civil service new recruits exceed the minimum entry requirements of the relevant civil service ranks.</p>	<p>The appointment of new recruits who are better qualified than the entry requirements does not necessarily mean that the job requirement has already been raised. The Government from time to time reviews the entry qualification requirements for individual civil service entry ranks where necessary.</p> <p>For those grades and ranks which have experienced significant changes in their job nature and requirements over the years, we</p>	<p>The appointment of new recruits with qualification higher than the entry requirements does not necessarily mean that the job requirement has been raised. It may reflect the prevailing situation of the manpower market where job-seekers are generally better educated.</p> <p>The Phase One Consultant has advised that starting pay levels should be determined having regard to the required qualification and capabilities for performing the duties of the concerned jobs. Most private sector employers have either set well-defined requirements for entry into different levels,</p>	<p>The Phase One Consultant has explained why the suggestion is not accepted.</p>

<sup>10</sup> At the Consultative Group meeting held on 12 July 2004, the Phase One Consultant presented to the staff side members his draft Final Report on the Methodology of a Pay Level Survey for the Civil Service. A summary of the questions/comments raised by the staff side members at the meeting and the responses respectively from the Phase One Consultant and CSB was provided to the staff side in August 2004.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	shall carry out individual grade structure reviews after the current exercise.	or have defined the expected requirements in advance of a specific recruitment exercise. While private sector employers may give a higher or lower starting salary for individuals with qualifications or experience higher or lower than the entry requirements, in most cases the over-qualified candidates will not be rewarded with 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 the starting salaries data thus obtained will be used for comparison for the higher qualification requirements (see paragraph 2.63 of the Final Report).	
9. The Phase One Consultant should explain whether the job factor comparison method can take account of the unique job nature of the disciplined services and why we could not adopt different methods for different grades.	It is our intention to carry out individual grade structure reviews after the current exercise has completed. In doing so, we propose to accord priority to the disciplined services grades because of their difference circumstances and the need for continued recruitment (see paragraph 4.8 of the Consultation Paper).	The Phase One Consultant does not recommend a combined approach for ascertaining the pay levels in the private sector beyond the entry levels. Since different job comparison methods are based on different assumptions and principles, using different methods for measuring essentially the same pool of data will likely lead to practical challenges in the data consolidation and analysis process (see paragraphs 8-10 and Table 3 of Supplementary Information and paragraph	The Phase One Consultant has given the explanation as requested.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>2.40 of the Final Report).</p> <p>The disciplined services grades have no comparable jobs in the private sector due to their unique job nature. It is therefore proposed that they should not be included in the survey field. The Phase One Consultant has explained why the job factor comparison method could not be used to take account of the special job factors in the disciplined services grades. Briefly, the evaluation of “special factors” pertinent to the disciplined services will not yield any meaningful data for pay comparison with private sector jobs for which there is no such evaluation on these special factors (see item 9 of Q&amp;A Note (April 2004)).</p>	
<p>10. The probationary period in the civil service is much longer than that in the private sector. The Phase One Consultant should explain clearly why such a difference has no bearing on the starting salaries survey.</p>		<p>For the purpose of the starting salaries survey, the Phase One Consultant recommends that starting salaries in the private sector should 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.</p> <p>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 has been</p>	<p>The Phase One Consultant has given the explanation as requested.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>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. (see item 2 of Q&amp;A Note (August 2004) and paragraph 2.56 of the Final Report).</p>	
<p>11. The Government should consider whether non-civil service contract staff who are not remunerated on civil service pay scales should be covered by the</p>	<p>Non-civil service contract staff are not civil servants and they will not be included in the survey field.</p>	<p>The pay level survey aims to compare the pay practice between the civil service and the private sector. The pay levels of staff appointed on non-civil service contract terms will not be covered in the pay level survey as these staff are not civil servants and are appointed on an ad hoc basis to meet service</p>	<p>The Phase One Consultant/CSB has considered the point raised by the staff side.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
pay level survey.		needs (see item 7 of the Q&A Note (August 2004))	
12. The Phase One Consultant should set out all the merits and shortcomings of the proposed survey methodology. Otherwise, people might be misled to believe that the results from the pay level survey would be absolutely accurate and it would not be necessary to take account of other factors in applying the results.	The policy considerations that are relevant to the development of an improved civil service pay adjustment mechanism as well as the inherent differences between the civil service and the private sector that should be taken into account in considering how the pay level survey results should be applied to the civil service are set out in the Consultation Paper (see paragraphs 2.2 and 2.3).	The Phase One Consultant has set out in detail the merits and shortcomings of the proposed broadly-defined job family method in Table 2 of the Final Report.	The Phase One Consultant has set out the relevant information in the Final Report.

### III. Selection and alignment of civil service benchmark jobs

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>13. The Government should ensure that the civil service ranks selected as benchmark jobs are representative of the civil service.</p>		<p>To ensure that civil service benchmark jobs selected are reasonably representative of the civil service, the Phase One Consultant recommends that each civil service benchmark grade should have an establishment size of not less than 100 posts. Also, there should be a sufficient number of benchmark jobs at different job levels. The civil service jobs proposed to be included in the survey field represent about 44% of the total civil service establishment. Excluding the disciplined services jobs and the directorate jobs, the civil service benchmark jobs represent about 73% of the remaining civil service establishment. The Phase One Consultant considers this a reasonably representative sample size. The remaining 23% civil service jobs to be excluded from the survey field mostly belong to small grades/ranks (therefore not meeting the establishment size criterion) or do not have private sector job matches.</p>	<p>The Phase One Consultant has taken on board staff side's views in drawing up his recommendation.</p>
<p>14. The proposed categorisation of civil</p>		<p>The categorisation of the benchmark jobs into different job families and job levels is</p>	<p>The Phase One Consultant has</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>service benchmark jobs into five job families and five job levels is too broadbrush to ensure proper job matching so as to reflect the diversified nature of civil service jobs.</p>		<p>unrelated to the job matching process. Its primary purpose is to provide a systematic basis for analysing data with a view to producing useful pay comparison analyses. The five broadly-defined job families recommended by the Phase One Consultant have taken account of the job content and the work nature of civil service benchmark jobs, in particular the manner in which they provide services and contribute to the functioning of the Government.</p> <p>Under the Phase One Consultant's proposal, matching between civil service jobs and private sector jobs will be based on detailed job descriptions which are to be developed following an intensive job inspection process. In the light of the information gathered from the interviews with the grade management, departmental management and holders of representative posts for the civil service benchmark jobs, the Phase Two Consultant will make necessary refinements to the proposed list of civil service benchmark jobs, refine the job briefs of the civil service benchmark jobs and highlight those job duties that are unique to the civil service benchmark jobs. The Phase Two Consultant will also review the categorisation of benchmark jobs into the</p>	<p>clarified that job categorisation is unrelated to job matching. The latter will be carried out by an intensive job inspection exercise.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>appropriate job family and job level. Such categorisation is not immediately relevant to the identification of appropriate private sector benchmark jobs since such job matches are made based on the specific content (e.g. job content, work nature, level of responsibility as well as typical requirements on qualification and experience) of the respective civil service jobs and private sector jobs. It will be of relevance only at a much later stage for the purpose of data consolidation and analysis after private sector pay data have been collected. We could thus be able to measure, in a systematic manner, the extent to which civil service pay is broadly comparable to private sector pay by job family and by job level (also see paragraph 3.2 and footnote 12 of the Final Report and item 8 of the Q&amp;A Note (August 2004)).</p>	
<p>15. The Phase One Consultant should consult staff unions of individual grades on the matching of civil service benchmark jobs with private sector jobs and the categorisation of civil service benchmark jobs by job family and job level.</p>	<p>If the proposed broadly-defined job family method is adopted for the conduct of the pay level survey, we shall task the Phase Two Consultant to carry out an intensive job inspection process as part of the survey field work. The job inspection process will be carried out in consultation</p>	<p>To ensure proper matching of civil service jobs with private sector jobs, the Phase One Consultant recommends 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. The Phase One Consultant further proposes that during the job inspection process, job-holder</p>	<p>The Phase One Consultant has taken on board staff side's views in drawing up his recommendation.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	<p>with staff and in a transparent manner so that staff views will be taken into full account in making appropriate job matches. According to our current thinking, staff representatives at different levels will be involved in the job inspection process at various stages of the exercise. The proposed work steps for the job inspection process are elaborated in CG paper no.3/2005.)</p>	<p>representatives should be consulted on the job characteristics of the civil service benchmark jobs and the draft job briefs to be prepared for identifying private sector benchmark jobs (see paragraphs 3.9-3.11 of the Final Report).</p>	
<p>16. The job matching between civil service benchmark jobs and private sector benchmark jobs should not be based on job titles.</p>	<p>If the proposed broadly-defined job family method is adopted for the conduct of the pay level survey, we shall task the Phase Two Consultant to carry out an intensive job inspection process as part of the survey field work.</p>	<p>Under the proposed broadly-defined job family method, an intensive job inspection process will be carried out to ascertain the details of the work nature and job characteristics of each civil service benchmark job so as to facilitate the preparation of detailed job descriptions for identifying appropriate private sector benchmark jobs. Civil service jobs 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 requirements on qualification and experience. The job matching between civil service jobs and private sector jobs will not be based on job</p>	<p>The Phase One Consultant has taken on board staff side's views in drawing up his recommendation.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		titles (see item 20 of the Q&A Note (April 2004) and paragraphs 2.36, 3.9-3.10 of the Final Report).	
17. Civil service grades in the education field, medical and health care field and the social welfare field should not be excluded from the survey field.		The Phase One Consultant recommends that the civil service grades in the education field, the medical and health care field, and the social welfare field be excluded from the survey field because government-funded organisations are the major employers in these fields (e.g. over 80% primary/secondary schools are in the public sector and over 85% of hospitals beds are in the public sector) and most of these organisations determine the pay levels of their employees with reference to civil service pay level (see item 5 of the Q&A Note (August 2004), and paragraph 2.46 of the Final Report)). Nevertheless, the Phase Two Consultant may consider the feasibility of approaching some of these organisations during the survey field work to collect more detailed information to ascertain how far they have departed from civil service pay practices before making a final decision as to whether these fields should be excluded (see paragraphs 35-36 of CG Paper No.2/2005 entitled “Responses to	The Phase One Consultant has suggested measure to address the views of the staff side.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		consultation feedback on the proposed on the methodology of the pay level survey and the application of the survey results”).	
18. There are inadequate justifications for the exclusion of the directorate from the survey field.	The Phase One Consultant has advised that due to technical considerations, directorate jobs should not be included in the survey field of the upcoming pay level survey. We shall consider conducting a pay review for the directorate positions following the completion of the current exercise.	The Phase One Consultant recommends that civil service jobs on the directorate pay scales be excluded from the survey field on the following considerations – (a) the lack of reasonable job matches in the private sector for civil service directorate positions under the recommended broadly-defined job family method in view of the policy-making role of these jobs, especially at the senior levels; (b) while it is possible to make a private sector pay comparison for directorate positions under the job factor comparison method (which seeks to compare jobs according to a quantitative job evaluation process based on certain job factors, such as accountability, problem-solving and know-how), this method is entirely different from the broadly-defined job family method (which seeks to compare civil service benchmark jobs with their broadly comparable private sector job matches	The Phase One Consultant has explained in detail the relevant justifications.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>based on readily comprehensible job characteristics) recommended for pay comparison at the non-directorate levels. The Phase One Consultant has advised that the private sector pay data obtained respectively for directorate positions and non-directorate positions by different job comparison methods cannot present a coherent picture for data consolidation since different methods work on different assumptions and philosophies; and</p> <p>(c) the inclusion of senior level jobs in the survey will greatly complicate the data collection process in view of the confidentiality consideration of the participating organisations. Such confidentiality consideration may cause potential private sector organisations to withdraw from the survey in its entirety, thus limiting the pay data that could be collected from the survey.</p> <p>(see item 4 of the Q&amp;A Note (August 2004) and paragraph 2.48 of the Final Report)).</p>	
19. The Phase One Consultant should draw up the criteria for categorising jobs		The Phase One Consultant has advised that based on the preliminary list of proposed civil service benchmark jobs (Annex C in the	The Phase One Consultant has suggested way to

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>which straddle different disciplines and professions into the appropriate job families.</p>		<p>Final Report), almost none of them needs to be categorised into more than one job families. Generally speaking, the Phase One Consultant suggests that where a civil service benchmark job may be categorised into more than one job families, we should focus on the most critical element of the job duties and requirements that define the characteristics of the benchmark job concerned in designating the most appropriate job family for the job (see item 9 of Q&amp;A Note (August 2004)).</p>	<p>deal with this issue.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>20. Serving officers in the civil service generally have longer years of experience as compared with their private sector counterparts. This factor should be taken into consideration in the pay comparison between the two sectors. The survey should also exclude aged workers in the private sector, who are generally underpaid.</p>		<p>In the job matching process, the Phase Two Consultant will need to ensure that private sector benchmark jobs to be included in the survey field should be broadly comparable to civil service benchmark jobs in all job-related aspects, including, inter alia, typical requirements on qualification and experience. In addition, the Phase One Consultant has recommended that the pay level survey should also collect certain demographic data of the employees (e.g. age of employees) in the surveyed private sector organisations. Such information may be used to assess whether differences in the overall experience and duration of service of employees in the organisation explain differences in the pay levels between the civil service and the private sector (see Table 10 of the Final Report).</p>	<p>The Phase One Consultant has suggested measure to address the views of the staff side.</p>
<p>21. Staff on the Model Scale 1 Pay Scale (Mod 1 staff) perform a wide range of duties, covering both manual and non-manual work, with some involving supervisory function and other specific functions.</p>	<p>If the proposed broadly-defined job family method is adopted for the conduct of the pay level survey, we shall task the Phase Two Consultant to carry out an intensive job inspection process as part of the survey field work.</p>	<p>Under the proposed broadly-defined job family method, an intensive job inspection process will be carried out to ascertain the details of the work nature and job characteristics of each civil service benchmark job so as to facilitate the preparation of detailed job descriptions for identifying appropriate private sector</p>	<p>The Phase One Consultant has suggested measure to address the views of the staff side.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>These jobs should not simply be compared with manual workers in the private sector. The job descriptions of Mod 1 jobs should reflect updated information on their duties and work requirements.</p> <p>The Clerical Officer grade has supervisory function and it is not appropriate to match it with clerks in the private sector</p>		<p>benchmark jobs. Civil service jobs 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 requirements on qualification and experience (see item 11 of the Q&amp;A Note (August 2004)).</p> <p>The key step of job matching between the civil service and the private sector will not be based on job titles, but will be based on detailed job descriptions which are to be developed following an intensive job inspection process. For instance, the various ranks of the Clerical Officer grade in the civil service will be matched with private sector jobs with similar job requirements and level of responsibility. These jobs may not necessarily be those with the job titles of “clerk” in the private sector.</p>	
<p>22. The pay level of clerical staff in the private sector has been suppressed to an unreasonably low level. The Clerical Officer grade in the civil service should not be selected as a benchmark job for</p>		<p>The pay level survey seeks to make a broad comparison between civil service pay and private sector pay. The survey will therefore focus on looking at the overall picture of different job levels rather than the pay level of individual grades. According to the Phase One Consultant’s recommendation, the pay data of all</p>	<p>The Phase One Consultant has addressed the concerns raised by the staff side.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>comparison with private sector pay. Since the Clerical Officer grade constitutes a large portion of the total civil service establishment, the results of a pay comparison between the Clerical Officer grade and their private sector counterparts would have a significant weighting on the overall pay level survey results.</p>		<p>benchmark jobs would have equal weighting and the number of job-holders in each benchmark job would not be taken into account in analysing the relevant pay data.</p>	
<p>23. The obsolete Office Assistant rank should not be selected as a benchmark job since their work have become outdated and could not reflect the latest circumstances.</p>	<p>The Office Assistant grade is being phased out and existing posts in the grade will be deleted or re-graded as Clerical Assistant or Workman II posts as appropriate. Furthermore, government departments have ceased creating posts of this grade. We have asked the Phase One Consultant to consider further the views of the staff side.</p>	<p>In selecting civil service benchmark jobs, the Phase One Consultant aims to identify a range of jobs that will collectively represent the breadth and depth of different grades/ranks and government departments. The Phase One Consultant originally proposed to include the Office Assistant grade as a benchmark job since it has a considerable establishment size and is commonly found in many departments. Having regard to the comments of the staff side, the Phase One Consultant has recommended to exclude this grade from the preliminary list of proposed job matches (see Annex C to the draft Final Report).</p>	<p>The Phase One Consultant has taken on board the comment from staff side members.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>24. In the private sector, junior staff are generally under-paid while senior staff are generally over-paid. If the pay level survey will mainly cover jobs at the lower/middle level, the results would be distorted and would show that civil service pay is, on the whole, higher than private sector pay.</p>		<p>The pay level survey seeks to ascertain the prevailing pay levels in the private sector. We should not make any assumptions about the pay levels in the private sector before the conduct of the survey. Since a separate pay indicator would be calculated for each of the five job levels for comparison with the pay of civil service jobs sharing the same range of pay points, the situation where the overall results of the pay level survey would be lowered by exceptionally low pay at a particular pay level would not arise.</p>	<p>The Phase One Consultant has addressed the concerns of the staff side.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>25. The Phase One Consultant should explain the rationale for the proposed job matches for certain selected civil service benchmark jobs (e.g. matching of Executive Officer with Human Resources and Public Relations, the categorisation of Technical Officers into the relevant job family).</p>		<p>The Phase One Consultant has addressed the queries of the staff side members on the proposed private sector job matches for certain civil service benchmark jobs. For example, the Executive Officer grade performs different functions (such as human resources management and customer service) and there is no single exact job match in the private sector. The Phase One Consultant therefore suggests that the grade be matched with a range of private sector jobs that respectively perform the various functions of the grade. In another example of “Technical Officers”, the Phase One Consultant explains that it is a generic description of officers who may be employed in works departments and non-works departments. Technical officers engaged in the works streams and those engaged in support services in non-works departments are categorised into different job families (see items 14 and 16 of the Q&amp;A Note (April 2004)).</p>	<p>The Phase One Consultant has given the explanation as requested.</p>
<p>26. Some query the exclusion of certain grades/ranks (e.g. the Supplies Attendant Grade, the</p>		<p>The Phase One Consultant does not recommend the inclusion of the Supplies Attendant grade in the survey field because it does not meet the establishment size criterion</p>	<p>The Phase One Consultant has addressed the query of the staff</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
Administrative Officer grade) from the survey field.		of having not less than 100 posts. The Phase One Consultant does not recommend the inclusion of the Administrative Officer grade because it does not meet the criterion of having a reasonable match in the private sector in view of its policy-making role (see item 10 of the Q&A Note (August 2004)).	side.
27. The Phase One Consultant should provide a full list of the proposed job matches between the civil service and the private sector and seek the views of staff.	If the proposed broadly-defined job family method is adopted for the conduct of the pay level survey, we shall task the Phase Two Consultant to carry out an intensive job inspection process as part of the survey field work. The job inspection process will be carried out in consultation with staff and in a transparent manner so that staff views will be taken into full account in making appropriate job matches. According to our current thinking, staff representatives at different levels will be involved in the job inspection process at various stages of the exercise. The proposed work steps for the job inspection process are	The Phase One Consultant has provisionally proposed in the Final Report a preliminary list of civil service benchmark jobs and their corresponding private sector job matches, categorised by job family and job level (see Annex C of the Final Report). The list is not final and is subject to necessary changes in the light of the outcome of the proposed job inspection process.	The Phase One Consultant has provisionally proposed a full list as requested.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	elaborated in CG paper no.3/2005.)		

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>28. The proposed job inspection process would be a critical step of the survey field work and that the participation of staff unions/associations in the process would be of critical importance in ensuring the credibility of the survey results. The Civil Service Bureau should put forward concrete proposals on how staff would participate in the job inspection process.</p>	<p>As recommended by the Phase One Consultant, the proposed job inspection process aims to ascertain details of the work nature and job characteristics of all civil service benchmark jobs so as to facilitate the identification of appropriate private sector job matches. As the proposed job inspection process is essentially a technical, fact-finding process, the guiding principle is that the process must be carried out in an independent manner by a professional consultant to ensure the credibility of the survey results. At the same time, the process will be carried out in consultation with staff and in a transparent manner so that the Phase Two Consultant can take staff views fully into account in making appropriate job matches.</p> <p>Staff representatives at different levels will be involved in the proposed job inspection process at various stages of the exercise. Proposals on the detailed work</p>	<p>The Phase One Consultant proposes that during the job inspection process, holders of representative posts of benchmark jobs should be consulted on the job characteristics of the civil service benchmark jobs and the draft job briefs to be prepared for identifying private sector benchmark jobs.</p>	<p>CSB has put forward concrete proposals in CG paper no. 3/2005.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	<p>steps of the job inspection process, including how staff will be involved in each of these steps, are set out in CG paper no. 3/2005. The proposals contained in the paper will be subject to further refinement that may be proposed by the Phase Two Consultant.</p>		
<p>29. Comprehensive briefings should be arranged for holders of representative posts of benchmark jobs before the commencement of the job inspection process.</p>	<p>According to our current thinking on the conduct of the job inspection process, the Phase Two Consultant will conduct briefings for the staff side of the Consultative Group and any interested staff unions/associations on his proposed approach as well as his proposed criteria for selecting civil service benchmark jobs (see paragraph 13 of CG paper no. 1/2005).</p>		<p>CSB has taken on board the staff side's suggestion.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>30. In addition to inviting departmental / grade management to nominate holders of representative posts for the civil service benchmark jobs, staff unions should also be invited to nominate holders of representative civil service benchmark jobs to participate in the job inspection process.</p>	<p>The guiding principle is that the job inspection process must be carried out in an independent manner by a professional consultant to ensure the credibility of the survey results. We do not consider it appropriate for staff unions to nominate job-holders to participate in the job inspection process as this may cast doubts on the independence of the survey.</p> <p>The concerned grade management and/or departmental management have comprehensive knowledge of the job demands and requirements as well as the work assignment practices and posting patterns of the grades/ranks under their charge. They will therefore be invited to nominate representative posts for each identified benchmark job to serve as the subject of more detailed examination in the job inspection process. To ensure that the duties and requirements of the civil service posts covered</p>		<p>CSB has explained why the suggestion is not accepted.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	<p>by the job inspection process are typical and representative of the concerned benchmark jobs, the grade management and/or departmental management concerned will consult the staff sides of the respective departmental consultative committees and the concerned grade/departmental staff unions/associations before taking a decision on the choice of these representative posts (see paragraph 8 of Consultative Group paper no.5/2004).</p>		
<p>31. The Government should take a decision on the pay level survey methodology in the first instance before proceeding with the proposed job inspection process.</p>	<p>The suggestion has been taken on board. Since the job inspection process is part and parcel of the proposed survey methodology, we agree that we should in the first instance conduct consultations on the proposed survey methodology and take a decision on it. If it is decided that the proposed methodology should be adopted following consultation, the Phase Two</p>		<p>CSB has taken on board the staff side's suggestion.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	Consultant will then be asked to carry out the job inspection process as part of the survey field work.		

#### IV. Selection of private sector organisations

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>32. The survey field should not include organisations with less than 100 employees. We should understand the rationale behind the selection criterion that a survey organisation should have 100 or more employees for the purpose of the pay trend survey and consider whether the relevant justifications are valid for the pay level survey.</p>		<p>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 given 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, the Phase One Consultant recommends that flexibility should be allowed 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 set out in Table 9 of the Final Report. However, 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. The Phase One Consultant therefore recommends</p>	<p>The Phase One Consultant's proposal has addressed the staff side's view.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		that the vast majority of the participating organisations should employ at least 100 staff (see item 24 of the Q&A Note (April 2004), item 17 of the Q&A Note (August 2004), and paragraph 4.5 of the Final Report).	
33. The Phase One Consultant should elaborate on the criteria for selecting the private sector organisations to be surveyed in more concrete terms. For instance, the meaning of “steady and good employers” and “rational and systematic pay administration” should be explained.		The relevant criteria have been elaborated in paragraph 4.3 of the Final Report.	The Phase One Consultant has provided the information as requested.
34. The staff side should be consulted on the organisations to be included in the survey field, as in the case of the pay trend survey.	The Phase Two Consultant will consult the Consultative Group and the Steering Committee on the criteria for selecting organisations for inclusion in the survey field and other related technical matters (see paragraph 14 of the CG paper no.1/2005 entitled “Development of an improved pay adjustment mechanism for the civil service: next steps).	The Phase One Consultant has recommended a set of criteria for selecting private sector organisations for inclusion in the survey field. Before drawing up the list of potential participating organisations, the Phase Two Consultant would consult the Steering Committee, the Consultative Group and CSB on issues concerning the recommended selection criteria and other technical matters (see item 16 of the Q&A Note (August 2004)).	The Phase One Consultant has suggested measure to address the views of the staff side.

## V. Data Elements

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>35. A comparison between civil service pay and private sector pay should not be made on the basis of salaries only in view of the prevailing trend in the private sector to provide various kind of benefits to employees on top of salaries.</p>		<p>In the Interim Report and the Initial Recommendations <sup>11</sup>, the Phase One Consultant suggested that given the focus of the pay level survey, the survey should collect data on different components of cash compensation (including basic salary, guaranteed bonuses, non-accountable and unconditional cash allowances, and variable cash compensation), but not fringe benefits in view of the difficulties in the valuation of benefits and the Administration's intention to pursue the rationalisation of civil service fringe benefits outside this exercise.</p> <p>Having regard to the concerns of the staff side members that the pay comparison should be as comprehensive as possible, and the prevailing trend in the private sector to set the target pay practice of an organisation in terms of total cash compensation, the Phase One Consultant subsequently recommends that all cash compensation elements (except for those payments which are conditional on specific working conditions or individual</p>	<p>The Phase One Consultant has taken on board staff side's views in drawing up his recommendation.</p>

<sup>11</sup> At the Consultative Group meeting held on 18 March 2004, the Phase One Consultant gave a PowerPoint presentation to the staff side members on his initial recommendations on the approach to the pay level survey.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		circumstances) should be taken into account to facilitate a more comprehensive comparison of the pay levels between the two sectors (see paragraphs 5.2-5.4 of the Final Report). Following this approach, fringe benefits provided in cash (e.g. housing allowances) would be included.	
36. The Phase One Consultant should examine the pros and cons of making a pay comparison based on the total remuneration package approach.	The fringe benefit entitlements of civil servants vary among individual officers, depending on their rank, the terms of their employment and the date of joining the service. Thus, if fringe benefits are to be taken into account in the pay comparison, there would be practical difficulties in valuating the fringe benefit package pertaining to each civil service benchmark job. It is relevant to note that there was a controversy over the valuation of fringe benefits in the 1986 Pay Level Survey. It is also relevant to note that CSB is pursuing the rationalisation of civil service fringe benefits separately outside the current exercise.	Having considered the option of making a pay comparison based on the total remuneration package approach, in particular the differences in the remuneration practices between the two sectors, and 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, etc) rather than their jobs and ranks, the Phase One Consultant recommends that the pay comparison should focus on cash compensation. Following this approach, fringe benefits provided in cash (e.g. housing allowances) would be included. But benefits provided in kind would not be included because of the complexities involved in the valuation of such benefits and the Administration's ongoing efforts in rationalising the terms of provision of civil service benefits separately outside this exercise. Nonetheless, the Phase One Consultant recommends taking the	The Phase One Consultant has taken on board staff side's views in drawing up his recommendation.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>opportunity of the pay level survey to collect information on the provision of major types of benefits in the private sector for the Administration's reference in considering how the pay level survey results should be applied. Such information will also provide useful reference for future policy-making on the civil service remuneration package (see paragraph 5.6 of the Final Report).</p>	
<p>37. The Phase One Consultant should give a clear definition of pay for the purpose of the pay level survey and provide a list of the remuneration items to be included. The Phase One Consultant should also set out clearly which cash compensation elements are proposed to be excluded.</p>		<p>The Phase One Consultant recommends 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 (see Section V of the Final Report). However, cash compensation elements which are conditional on specific working conditions or individual circumstances should be excluded.</p> <p>The Phase One Consultant has recommended a full list of all cash compensation elements to be covered by the survey in Table 10 of the Final Report. The definition of the excluded items together with examples are elaborated in Table 10 of the Final Report.</p>	<p>The Phase One Consultant has provided the information as requested.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>38. The Phase One Consultant should consider whether the definition of “pay” for the purpose of the pay level survey should follow the definition of “wages” under the Employment Ordinance</p>		<p>The definition of wage as defined in the Employment Ordinance is not recommended for the purpose of the pay level survey because the 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 an employee’s job (see Footnote 16 of the Final Report).</p>	<p>The Phase One Consultant has considered the point raised by the staff side.</p>
<p>39. The Phase One Consultant should consider how to deal with those “hidden benefits” in the private sector which may not be reflected in the pay data.</p>		<p>One of the proposed criteria for selecting private sector organisations to be surveyed is that they should be steady and good employers conducting salary administration on a rational and systematic basis. The Phase One Consultant is not aware of the “hidden benefits” which the staff side has referred to. At levels below the equivalent of the directorate level in the civil service, there are relatively few employers which offer fringe benefits of material value to their employees, other than life insurance, medical insurance, and retirement schemes (see item 28 of the Q&amp;A Note (April 2004)). Nonetheless, the Phase One Consultant recommends that the pay level survey should also collect information on the provision of major types of benefits in the private sector to</p>	<p>The Phase One Consultant has addressed the point raised by the staff side.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		provide further reference for the Government in considering how the pay level survey results should be applied.	
40. The Phase One Consultant should explain why he proposes the exclusion of certain fringe benefits (such as medical and life insurance, car and club membership).		The Phase One Consultant recommends that any form of compensation provided in kind (e.g. medical and life insurance, car and club membership) should not be included due to the technical difficulties in valuation. Besides, benefits such as car and club membership are rarely provided at levels below the equivalent of the directorate level in the civil service. Benefits such as life insurance and medical insurance will have little meaningful impact on the interpretation of the pay level survey results because they are virtually universally provided in the private sector and the differences in value is small (see item 31 of the Q&A Note (April 2004)).	The Phase One Consultant has given the explanation as requested.
41. The Phase One Consultant should reconsider whether payments that are not made on a monthly basis should be excluded from the survey.		The Phase One Consultant initially recommended that “payments other than bonuses not made on a monthly basis” (e.g. leave passage, education allowances, etc.) should be excluded because such payments, which are usually paid on an annual basis or based on specific events, are fringe benefits and conditional on individual circumstances rather than unconditional pay for the job (see	The Phase One Consultant has taken on board the staff side’s views.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>paragraph 55 of the Interim Report and item 30 of the Q&amp;A Note (April 2004). Having regard to the staff side's comments and in view of the prevailing trend in the private sector to set the target pay practice in terms of total cash compensation, the Phase One Consultant recommends that all cash compensation paid during the survey reference period, including those not made on a monthly basis, should be included.</p>	
<p>42. The Phase One Consultant should reconsider whether compensation paid at the discretion of the employers (e.g. for the purpose of retaining staff and enhancing sense of belonging to the organisation and motivation) should be excluded.</p>		<p>In his Initial Recommendations, the Phase One Consultant suggested that compensation paid at the discretion of the employers should not be included. This mainly referred to those elements paid at the discretion of the employers and which do not form part of the organisation's established pay practice. Following his subsequent recommendation to collect all cash compensation elements (except for those conditional on specific working conditions or individual circumstances), such payments will be included.</p>	<p>The Phase One Consultant has taken on board the staff side's views.</p>
<p>43. The Phase One Consultant should consider whether arrangements for overtime</p>		<p>The Phase One Consultant recommends that overtime payments should not be taken into account in the pay comparison because such</p>	<p>The Phase One Consultant has suggested</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>compensation between the civil service and the private sector should be compared.</p>		<p>payments are conditional on individual circumstances and variable across different organisations in the private sector, and hence the data on overtime compensation would not reflect the general pay practice in the private sector. Nonetheless, there is merit in collecting policy information governing the payment of overtime compensation (e.g. the conditions for such payment) to keep track of the prevalence of payment of this compensation element in the private sector. Such policy information will provide useful reference in considering how the pay level survey results should be applied to the civil service.</p>	<p>measure to address the views of the staff side.</p>
<p>44. The fringe-benefit type of civil service allowances are under review. Depending on the outcome, some of these allowances may be abolished or reduced in the short term. The pay level survey should take into account the uncertainties arising from the allowance review in calculating the costs of fringe-benefit type of</p>	<p>We have undertaken a comprehensive review of all fringe benefit type of civil service allowances in two phases. We have consulted staff in June 2004 on the change proposals under the phase one review. We have also examined the possible scope for change in respect of the remaining allowances under the phase two review. In view of the ongoing legal proceedings</p>	<p>To facilitate a comprehensive pay comparison with the private sector, we recommend taking account of major civil service allowances paid in cash in the pay level survey. In the event that any civil service allowances included in the scope of pay comparison are reduced or abolished in future, the data analyses that form the basis of pay comparison (specifically the cost to Government of providing major cash allowances to civil servants) could be appropriately adjusted to reflect the changes (see item 18 of Q&amp;A Note (August 2004)).</p>	<p>The CSB/Phase One Consultant have addressed the point raised by the staff side.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
allowances.	concerning the Public Officers Pay Adjustment Ordinance, as a prudent approach we would await the final outcome of the proceedings before we further consult staff on the proposed change measures arising from the allowance review.		
45. There was concern that the pay level survey may cover pay data during the period when the Hong Kong economy was hardest hit by SARS.		<p>The periodic conduct of pay level surveys would reflect the pay levels in the private sector under different socio-economic situations. At the same time, the Government may also track the movements in the private sector pay levels in between two pay level surveys by making reference to the pay trend analyses available in the market or by means of customised pay trend surveys.</p> <p>The pay level survey would collect data on pay and cash allowances paid to staff for the reference month of the survey. For variable pay, historical data is required and the survey would collect the actual amount paid over the past 12 months prior to the reference month of the survey. By the time the survey is conducted, it is unlikely that it would collect data during the period of the SARS outbreak.</p>	The Phase One Consultant has addressed the concerns raised by the staff side.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>46. The Phase One Consultant should re-consider his proposed approach of using the Phase Two Consultant's existing database as a means to source private sector pay data since such data might have been collected and processed in a way different from the methodology adopted for the pay level survey.</p>		<p>In his Initial Recommendations, the Phase One Consultant suggested that one possible approach for data sourcing was to use the Phase Two Consultant's existing database, to be supplemented by a special survey. This has the merit of enabling us to draw upon a larger pool of private sector pay data and thus enlarging the coverage of the survey field. Having regard to the views of staff side members and considering that the necessary efforts to ensure consistency of the data from the existing database with the data collected in the special survey will likely outweigh the benefits, the Phase One Consultant recommends that we should source private sector pay data from a special survey conducted solely for the purpose of a comparison between civil service pay and private sector pay (see paragraph 4.7 of the Final Report).</p>	<p>The Phase One Consultant has taken on board the staff side's views.</p>

## VI. Data Analysis

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>47. There was a view that the use of the typical organisation practice approach for data analysis (which gives equal weight to each organisation without regard to the different numbers of employees in the organisations) may distort the survey results. The average job-holder pay approach should be adopted to calculate and analyse pay data by using the weighted average method. On the other hand, there was a view that the pay data of individual job-holders should not be treated as a data entry carrying equal weights since many large private sector organisations have suppressed the wages of their employees</p>		<p>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<sup>12</sup>. The Phase One Consultant recommends the typical organisation practice approach because: (a) this approach takes a snapshot of the average actual pay levels within each organisation and this provides relevant benchmark reference for comparison with civil service pay where pay is determined having regard to the internal pay relativities among jobs; (b) it avoids the risks that the findings of the pay level survey will be unduly influenced by a small number of exceptionally low-paying or high-paying organisations which employ a large number of staff for certain private sector benchmark jobs; and (c) there can be wide dispersion of pay levels of individual job-holders and it would be misleading and inappropriate to assess or adjust the civil service pay scales in the light of the range of pay practices</p>	<p>The Phase One Consultant has explained in detail the rationale of his proposal and has proposed measure to address the staff side's concern.</p>

<sup>12</sup> Under the typical organisation practice approach (previously referred to as the company-based 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 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. Under the average job-holder pay approach (previously referred to as the job-holder-based 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 is viewed as a data entry carrying equal weight.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
in recent years.		prevailing for individual job-holders (see item 41 of the Q&A Note (April 2004), item 23 of Q&A Note (August 2004) and paragraph 7.8 of the Final Report). Nonetheless, having regard to the staff side's views, the Phase Two Consultant will further consider the feasibility of obtaining as complete data as possible on all job-holders for each participating organisation to ascertain the sensitivity of data analyses to these two approaches (see paragraph 56 of CG paper no.2/2005)	
48. There was a comment that the proposed typical organisation practice approach would be inconsistent with the objective of selecting comparable and representative jobs for comparison and hence it would affect the representativeness of the data collected from participating organisations.		The proposed typical organisation practice approach is an approach for the consolidation and analysis of the data collected from the pay level survey. As such, it is unrelated to the representativeness of data, which refers to coverage of a reasonable range of private sector jobs that are comparable to civil service jobs and inclusion of a broad selection of private sector organisations in the survey field. It is also unrelated to the selection of representative benchmark positions from the civil service and the private sector to serve as a basis for sourcing data for making a pay comparison (see items 34 and 35 of the Q&A Note (April 2004)).	The Phase One Consultant has addressed the comment of the staff side.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>49. According to the Phase One Consultant, the average job-holder pay approach may be influenced by short-term demand for or over-supply of staff with special types of expertise/ experience and is therefore not recommended. There was a query as to whether this rationale is inconsistent with the proposed selection criterion that survey organisations should determine pay levels based on considerations and factors relating to Hong Kong.</p>		<p>The objective of the pay level survey is to find out the general pay practices in the private sector rather than specific pay level of individual private sector job-holders with the specific types of expertise/experience Under the average job-holder pay approach, the pay data of individual job-holders are separate data points carrying equal weights. This approach is not recommended since the results may be influenced by short-term demand for or over-supply of staff with special types of expertise/experience and thus fail to achieve the objective of reflecting the general pay practice in the private sector. The criterion that survey organisations should determine pay levels based on considerations and factors relating to Hong Kong is irrelevant to the consideration for the approach for data analysis (see item 38 of the Q&amp;A (Note) (April 2004)).</p>	<p>The Phase One Consultant has addressed the comment of the staff side.</p>
<p>50. Variable pay constitutes an increasingly large portion of the total compensation in the private sector and should therefore be taken into account in data analyses.</p>		<p>In view of the differences in the structuring of the compensation package between the civil service and the private sector, the Phase One Consultant recommends analysing the cash compensation of the two sectors by two aggregates, namely the annual base salary and the annual total cash compensation. The latter includes annual base salary plus any</p>	<p>The Phase One Consultant has suggested measure to address the comment of the staff side.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>other payments (including cash allowances and variable pay) except those that are conditional on particular working conditions or individual circumstances. This aggregate provides a comprehensive measure of all cash compensation elements (see paragraph 7.1 of the Final Report).</p>	
<p>51. Fringe benefit type of allowances provided in the civil service and the private sector are different and the benefits provided at different job levels also vary between the two sectors. The Phase One Consultant should explain how the various fringe benefit type of allowances at different job levels could be reflected for pay comparison between the two sectors.</p>		<p>Considering that not all eligible officers are drawing these cash allowances from the relevant schemes during the survey reference period, the Phase One Consultant recommends that the cost of these allowances be calculated based on the actual cost incurred and the actual utilisation patterns. The cost of such allowances will be consolidated for each proposed job level for the purpose of determining the annual total cash compensation for civil service jobs at that level.</p> <p>The calculation of cash allowances will be based on the actual costs of provision of these allowances. The Phase One Consultant has considered the alternative of making the comparison on the basis of the notional value of civil service benefits, but decided not to recommend this approach in view of the difficulty in valuating the benefits and in agreeing the notional values to be taken into</p>	<p>The Phase One Consultant has given the explanation as requested.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		account.	
52. We should decide on the most appropriate level (e.g. median, upper quartile, etc.) of private sector pay, at which civil service pay should be benchmarked.		<p>The pay level survey aims to collect a comprehensive range of private sector pay data in a professional manner. In section VII of the Final Report, the Phase One Consultant recommends that the data on the annual base salary and the annual total cash compensation of the private sector be analysed at different benchmark levels, say, upper quartile, median, lower quartile and average, to facilitate a comprehensive comparison with the relevant range of the civil service pay scales at each job level.</p> <p>The Phase One Consultant recommends that we should focus on certain benchmark indicators to provide specific guidance to the comparison results, e.g.</p> <ul style="list-style-type: none"> <li>• 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; and</li> <li>• 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</li> </ul>	The Phase One Consultant has suggested measure to address the point raised by the staff side.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>the cost to Government of provision of major types of civil service cash allowances, etc.</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>The exact benchmark level to be adopted is an issue for consideration at the application stage. The Phase One Consultant recommends that the following factors should be taken into consideration: (a) up-to-date information on the structuring of the remuneration package and the prevalence of in-kind employee benefits in the private sector at the relevant job level; and (b) any special factors that are unique to the design of the civil service pay package in view of its nature of operation, job requirements, etc. which may or may not be quantifiable (see paragraph 57 of CG paper no.2/2005).</p>	

## VII. Implications on pay trend survey

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>53. The Phase One Consultant's suggestion to refer to private sector pay analyses available in the market, instead of carrying out customised pay trend surveys in between two pay level surveys is not supported.</p>		<p>If the pay level survey is to be 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 movements in the private sector as any significant movement in the private sector levels will be captured by the periodic pay level surveys. The Administration may, therefore, consider using pay trend analyses available in the market as the reference in considering annual adjustments to civil service pay alongside other relevant considerations (see item 27 of the Q&amp;A Note (August 2004), paragraphs 8.1- 8.3 of the Final Report).</p>	<p>The Phase One Consultant has explained the rationale of his recommendation.</p>
<p>54. The Phase One Consultant should reconsider the suggestion that the pay trend survey, if conducted in future, should cover fixed pay only without taking account of variable pay, which is increasingly important in the private sector</p>		<p>Having regard to the views of the staff side, the Phase One Consultant recommends that if the pay trend survey is to be retained, it should collect data on year-on-year changes to total cash compensation for consistency with the pay level survey (see paragraph 8.5 of the Final Report).</p>	<p>The Phase One Consultant has taken on board the staff side's views.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>55. The Phase One Consultant should clearly explain the rationale behind the recommendation of aligning the survey fields of the pay trend survey and the pay level survey.</p>		<p>The Phase One Consultant advises that under the improved pay adjustment mechanism, pay level surveys will be conducted frequently, say every three to five years, to ascertain the extent of broad comparability of civil service pay with private sector pay so that appropriate adjustments to civil service pay can be made. Any disparity in pay levels between the two sectors that has developed over time can readily be identified and addressed in the next pay level survey. With such a mechanism, the highly precise and thus resource-intensive methodology of the current pay trend survey, which seeks to measure the year-on-year movements in private sector pay to provide reference for making any necessary fine-tuning of civil service pay in between two pay level surveys, may then not be necessary. He therefore recommends that the Government may consider making reference to pay trend analyses available in the market, instead of conducting customised pay trend surveys.</p> <p>The Phase One Consultant advises that if the Government is minded to put in the additional resources to conduct customised pay trend survey under the improved pay adjustment mechanism, then it would be preferable to</p>	<p>The Phase One Consultant has given the explanation as requested.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
		<p>align the survey fields of the two surveys to cover the same private sector organisations in the survey field as far as practicable to enhance consistency between the two surveys and help streamline the conduct of the otherwise resource-intensive pay trend survey. He, however, points out that for the purpose of providing reference figures on the year-on-year movements in private sector pay for fine-tuning civil service pay in between two pay level surveys, the results obtained from a customised pay trend survey would not necessarily provide an inherently superior indicator compared to results obtained from pay trend analyses in the market (see paragraphs 60-61 of CG paper no.2/2005).</p>	

## VIII. Application of pay level survey results

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>56. CSB should start discussion with the staff side on the application of the pay level survey results at an early stage before the Administration decides on the pay level survey methodology and proceeds with the survey field work.</p>	<p>We started discussion with the staff side on this issue in January 2004<sup>13</sup>. After taking into account the views of the staff side, we have drawn up a proposed approach for the application of pay level survey results for discussion with the staff side at the meeting held on 5 October 2004. In the light of the latest development on the judicial review applications concerning the civil service pay reduction legislation<sup>14</sup>, the Government will consider the issue in detail upon the conclusion of the legal</p>		<p>The CSB has taken on board the staff side's views.</p>

<sup>13</sup> We presented CG paper no.1/2004 entitled "Preliminary ideas on the application of the findings of the pay level survey" and CG paper no.5/2004 entitled "Civil Service Bureau's thinking on the application of the pay level survey results" for discussion at the Consultative Group meetings held on 29 January 2004 and 5 October 2004 respectively.

<sup>14</sup> On 29 November 2004, the Court of Appeal, by a majority, allowed the appeals against the ruling of the Court of First Instance (CFI) on the judicial review applications regarding the Public Officers Pay Adjustment Ordinance (Cap. 574), which implemented the civil service pay reduction effective on 1 October 2002. The Government has been granted leave to appeal against the Court of Appeal's decision to the Court of Final Appeal (CFA). The hearing before the CFA has been scheduled for 20 – 22 June 2005. On 4 February 2005, the CFI handed down its ruling on one of the applications for judicial review in relation to the Public Officers Pay Adjustments (2004/2005) Ordinance (Cap.580), which implemented the civil service pay reductions effective on 1 January 2004 and 1 January 2005 respectively. In brief, the CFI has held that section 15 of Cap.580 is inconsistent with Article 100 of the Basic Law following the earlier judgment by the Court of Appeal in respect of Cap. 574, which is binding on the CFI. The Government has decided to appeal against the CFI's ruling in this respect. The CFI has held that the other grounds of challenge advanced by Applicant in the judicial review proceedings fail.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	proceedings of the judicial review applications (see paragraph 9 of CG paper no.1/2005).		
57. In considering necessary adjustments to civil service pay after the pay level survey, due account should be taken of the differences between the civil service and the private sector and other relevant factors (e.g. Basic Law considerations).	In making a decision on any necessary adjustments to civil service pay following the pay level survey, the Administration will take account of the survey results as well as other relevant considerations, including the Basic Law and other legal considerations, staff morale, state of the economy, budgetary considerations, the views of staff, changes in the cost of living and any inherent differences between the civil service and the private sector which cannot be addressed directly in a technical pay level survey (see paragraph 4(e) of CG paper no. 1/2004 and paragraph 5(c) of CG paper no. 5/2004 ).		The CSB has taken on board staff side's views in drawing up its proposed approach.
58. Some consider that the survey results should not be applied to serving officers and object to any decision to reduce the pay of serving officers who have joined	Having regard to the relevant considerations, we propose that if the pay level survey findings reveal that civil service pay levels exceed the private sector pay levels, we should freeze the pay of		The CSB has taken on board the staff side's views in drawing up its proposed

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>the Government before the handover since civil service pay has been reduced to the levels as at 30 June 1997 after the pay reduction in 2005. Some consider it reasonable to impose a pay freeze should the pay level survey reveal that civil servants are better paid than their private sector counterparts.</p>	<p>these officers at the prevailing levels until it is caught up by the private sector pay levels. But the disparity will be noted and will be taken into account in the subsequent annual civil service pay adjustments before the next pay level survey (see paragraph 13 of CG paper no.5/2004 and paragraph 4.12 of the Consultation Paper).</p>		<p>approach.</p>
<p>59. Some consider it not appropriate to differentiate between officers who joined the Government before and after the handover purely from the Basic Law angle. They consider that the Government should also take account of the need to maintain a stable civil service and to avoid causing a divisive effect.</p>	<p>Neither the Basic Law nor the current Administration's policy not to reduce civil service pay to below the June 1997 levels applies to serving officers who joined the Government on or after 1 July 1997. In theory, if the pay level survey results indicate that civil service pay is above private sector pay, we may consider adjusting the pay of these officers downwards immediately to reflect the market levels. However, on staff management and staff morale grounds, we propose to adopt the same approach for all serving officers, irrespective of whether</p>		<p>The CSB has taken on board the staff side's views in drawing up its proposed approach.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	<p>their appointment dates were before or after the handover (see paragraph 14 of the CG paper no. 5/2004 and paragraph 4.13 of the Consultation paper).</p>		
<p>60. Some are concerned that civil servants would be subject to years of pay freeze. Given the Administration's undertaking not to reduce civil service pay to below the levels as at 30 June 1997, there is no room for further pay reduction following the 2004 and 2005 pay reductions. They consider that the results of the upcoming pay level survey should not be used as the basis for consideration of future pay adjustments since each annual pay adjustment exercise has been dealt with as a separate and independent exercise over the years. The proposed approach deviates from the</p>	<p>Members of the public would find it hard to accept if we propose that the findings of the upcoming pay level survey should be applied to new recruits only but not serving officers in future pay adjustment exercises. To uphold the policy of maintaining broad comparability between civil service pay and private sector pay, we consider it reasonable to take account of any pay disparity revealed by the upcoming pay level survey alongside other relevant factors in future pay adjustment exercises with a view to removing the pay disparity, if any, between the civil service and the private sector.</p>		<p>The CSB has explained why the suggestion of the staff side is not accepted.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>established practice and would have the effect of applying the survey results with retrospective effect.</p>			
<p>61. Some are concerned that there would be pay differentials between serving officers and new recruits if new pay scales are drawn up having regard to the pay level survey results for application to new recruits. The phenomenon of different pay for equal work would have an impact on the morale and stability of the civil service. The problem would be particularly prominent in the Police Force and the disciplined services where recruitment continues.</p>	<p>The introduction of new arrangements for new recruits is not unprecedented. We have over the years offered new terms of conditions of service to officers appointed at different junctures. For instance, in 2000 we introduced the New Terms for officers offered appointment on or after 1 June 2000. We have also revised the starting salaries for civil service entry ranks in 2000 following the 1999 Civil Service Starting Salaries Review. In that exercise, the starting salaries of all new recruits, regardless of whether they were in the civilian grades or the disciplined services grades, were determined in accordance with the outcome of the Review on the basis of the internal pay relativities among different grades.</p>		<p>The CSB has explained the rationale of its proposed approach.</p>
<p>62. Some consider that the pay level survey methodology</p>	<p>We seek to have early discussion with the staff side on the approach</p>		<p>The CSB has addressed the</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>would directly affect the survey results and may continue to be adopted for future surveys. We should not therefore overlook the importance of devising a credible survey methodology in formulating the approach to the application of the survey results.</p>	<p>for the application of the survey results in view of members' considerable concern about the issue. Meanwhile, we have held detailed discussions with the staff side on various issues concerning the proposed methodology of the pay level survey since January 2004. Over the past months, CSB and the Phase One Consultant have addressed various issues and comments raised by members.</p>		<p>point raised by the staff side.</p>
<p>63. Some consider that we should avoid causing a divisive and segregating effect among civil servants at the senior, middle and lower levels, between disciplined services and civilian staff, between the Police and other disciplined services, and between officer who joined the Government before the handover and those thereafter.</p>	<p>We have given due regard to all relevant considerations, including the views of the staff side members in drawing up the proposed application approach. The proposals we have put forward for consultation represent a pragmatic approach which strikes a balance between the interests of civil servants on the one hand and the expectations of the community on the other.</p>		<p>The CSB has explained the rationale of its proposed approach.</p>
<p>64. Some consider that given the unique nature of work</p>	<p>The existing internal relativities among civil service grades/ranks</p>		<p>The CSB has explained the</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
<p>of the disciplined services, it is inappropriate to apply the pay level survey results to the disciplined services grades on the basis of the existing system of internal pay relativities which have been established for many years and could not reflect the present day circumstances. They consider that CSB should first conduct separate grade structure reviews for the disciplined services grades and then apply the pay level results to the disciplined services grades on the basis of the internal pay relativities resulting from the grade structure reviews.</p>	<p>have evolved principally through a series of large-scale, service-wide pay reviews carried out in the 1980s and 1990s. The system of internal pay relativities resulting from the above process reflects the differences in the job requirements and working conditions among different civil service jobs and help to maintain fairness and consistency in setting the pay scales of a diverse range of civil service ranks under a centrally-administered civil service pay system. The system has undergone adjustments from time to time to reflect any revisions to the pay scales of individual grades/ranks following salary reviews or grade structure reviews. Unless and until the findings of such reviews support an adjustment to such relativities, we consider it reasonable and fair to maintain the existing internal pay relativities in making any necessary adjustments to civil service pay. As a matter of established practice, the annual civil service pay adjustments and</p>		<p>rationale of its proposed approach and has proposed measure to address the staff side's views.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	<p>the adjustments to starting salaries following the 1999 Civil Service Starting Salaries Review have proceeded on the basis of the prevailing system of internal pay relativities (see item 6 of the Q&amp;A Note (August 2004)).</p> <p>We intend to carry out individual grade structure reviews for those grades/ranks which have experienced significant changes in their job nature and requirements in recent years after we have completed the current exercise on the development of an improved civil service pay adjustment mechanism. In doing so, we shall accord priority to the disciplined services grades because of their different circumstances and the need for continued recruitment.</p>		
<p>65. Some consider that we should explain how the pay level survey results would be applied, based on the existing system of internal pay relativities, to those grades not selected as</p>	<p>We have provided two sets of information note entitled “Existing System of Internal Pay Relativities in the Civil Service” and “Application of the Pay Level Survey Findings to Disciplined Services Grades Based on the</p>		<p>The CSB has provided the relevant information as requested.</p>

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
benchmark jobs.	Existing System of Internal Pay Relativities” in March and April 2004 respectively, explaining in detail how the pay level survey results could be applied across all civil service grades/ ranks in the light of the existing system of internal pay relativities for staff side’s reference.		
66. Some are concerned that if separate pay surveys are to be conducted for the disciplined services grades in view of their special job nature and the lack of private sector analogues, other civilian grades may make the same request on similar grounds. Quite a number of civilian grades in the civil service have to carry out law enforcement duties and they also have no comparable jobs in the private sector.	We intend to carry out individual grade structure reviews, following the completion of the current exercise to develop an improved civil service pay adjustment mechanism, for those grades/ranks which have experienced significant changes in their job nature and requirements in recent years and which continue to have a recruitment need. We consider it reasonable and logical to accord priority to the disciplined services grades in the conduct of individual grade structure reviews because of their different circumstances and the need for continued recruitment. The need and justifications for carrying out grade structure reviews for other civil service		The CSB has explained the rationale of its proposed approach.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
	grades will be considered on a case-by-case basis.		
67. Some consider it not appropriate to apply the pay level survey results to the directorate posts based on the existing system of internal pay relativities because of the considerable differences in job nature and pay between the upper levels and the lower levels. They consider that a separate survey should be conducted for the directorate.	We consider it appropriate to apply the pay level survey results across all civil service grades/ ranks on the basis of the existing system of internal pay relativities. We shall consider conducting, after the current exercise, a pay review for the directorate positions (including those on the directorate pay scales and the disciplined services pay scales), which the Phase One Consultant has recommended not to include in the survey field of the upcoming pay level survey due to technical considerations.		The CSB has explained the rationale of its proposed approach and suggested measure to address the staff side's comment.
68. Some consider that if civil service pay is to be reduced after the pay level survey, in those cases where the pay of individual grades/ranks has to be increased in the light of the results of individual grade structure reviews, the question would arise as to whether the pay adjustment	Based on the arrangements for similar pay reviews in the past, it would be appropriate for adjustments to the pay scales of the relevant grades to take effect from a specified date after the completion of the review without any retrospective effect.		The CSB has explained the rationale of its proposed approach.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
resulting from the individual grade structure reviews should take retrospective effect.			

**IX. Others**

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
69. Some consider that the pay level survey should be conducted in a credible manner without undue haste and sufficient time should be allowed for each step. Some further consider that since there would be no room for further civil service pay reduction after the pay reduction effective from 1 January 2005, the timetable proposed by CSB for conducting the pay level survey in 2005 would not serve any	Our original plan was to complete the whole exercise to develop an improved civil service pay adjustment mechanism in 2004 (see paragraph 11 of the Progress Report). To allow more time for detailed discussion with the staff side on the pay level survey methodology and to address the various views and comments raised by the staff side members, we have revised our work plan to commence the survey field work in the fourth quarter of 2004 (see paragraph 12 of the Progress Report) and further postponed it to the first quarter of 2005 (see		The CSB has taken on board the staff side's views.

Major views expressed by the staff side members	Response of the Civil Service Bureau	Response of the Phase One Consultant	Remarks
meaningful purpose.	paragraph 5.4 of the Consultation Paper). We shall proceed with the survey field work after taking a decision on the survey methodology having regard to the consultation feedback. The survey will capture the pay adjustments in 2005 in the private sector.		
70. Some suggest that the Phase One Consultant should clearly define various terms used in his proposals for the pay level survey methodology.		The Phase One Consultant has provided a glossary of terms in the Final Report (see Annex A).	The Phase One Consultant has taken on board the staff side's suggestion.
71. Some consider that the Phase One Consultant should set out his proposals in simple layman terms to facilitate easy understanding by staff.		The Phase One Consultant has tried to set out his recommendations in simple layman language as far as possible in the Final Report. To facilitate easy understanding, the Phase One Consultant has produced an Executive Summary of his recommendations and provided examples to illustrate the data analysis method (see Annex F).	The Phase One Consultant has taken account of the suggestion of the staff side in preparing the Final Report.