

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

**A Consultation Paper on the Proposals on
the Methodology of the Pay Level Survey and
the Application of the Survey Results**

**Civil Service Bureau
November 2004**

Foreword

In 1999, the HKSAR Government launched the Civil Service Reform to ensure that Hong Kong continues to have a clean, efficient and cost-effective civil service of the highest international standard in keeping with the changing circumstances and the growing expectations of the community. During the past five years, we have made substantive progress in various areas of civil service management.

As a key component of the civil service management system, the civil service pay policy and system is one of the focus areas for improvement under the Civil Service Reform programme. In December 2001, we invited the three independent advisory bodies on civil service salaries and conditions of service to conduct a comprehensive review of our civil service pay policy and system. Our current exercise to develop an improved pay adjustment mechanism for long-term adoption in the civil service has stemmed from the recommendations arising from the review. Under the improved civil service pay adjustment mechanism, the conduct of periodic pay level surveys will be the principal means to ascertain whether civil service pay is broadly comparable to private sector pay and thus, in compliance with the established civil service pay policy.

This consultation paper sets out our consultant's recommendation on the methodology of the pay level survey as well as our proposals on the application of the survey results to the civil service. We invite the views of civil service colleagues and departmental/grade management on the proposals contained in this paper. Interested parties may forward their written submissions to the Civil Service Bureau by mail, facsimile or e-mail by 7 January 2005 –

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The development of an improved civil service pay adjustment mechanism, which seeks to maintain broad comparability between civil service pay and private sector pay, is an important milestone in our efforts to improve the civil service pay system. It is our intention to pursue other pay-related initiatives in a step-by-step manner following the completion of the current exercise with the objective of making our civil service pay system simpler and easier to administer, and building in more flexibility to facilitate matching of jobs, talents and pay.

We look forward to receiving your suggestions and comments on this consultation paper, in particular Section 3 and Section 4 therein, so that we can take them fully into account in making a decision on the way forward before embarking on the field work of the pay level survey.

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Section 1: Background and Progress

Civil Service Reform

1.1 The Government is committed to making continuous improvements to the civil service management system to meet the changing service needs and rising expectations of the community. In March 1999, we launched the Civil Service Reform with the objectives of modernising the management of the civil service and preparing staff for changes and increasing challenges ahead.

1.2 During the past five years, we have implemented a wide range of initiatives in various areas of civil service management. The key developments include -

- (a) Containing the civil service establishment. Against the target establishment of 160 000 posts by 2006-07, we have reduced civil service establishment by 15% in less than five years to 168 900.
- (b) Improving the entry and exit system for the civil service. In 2000, we introduced a new entry system and new appointment terms for civil service new recruits to increase the flexibility of our appointment system and established the Civil Service Provident Fund (CSPF) Scheme for new appointees in place of the pension schemes.
- (c) Reviewing pay and fringe benefits. Our civil service remuneration system has been modernised through a starting salaries review in 1999 which reduced the entry pay of various grades by 3% to 31%; adoption of a new fringe benefit package in line with private sector practice for civil service new recruits from June 2000; launch of a comprehensive review of the civil service pay policy and system with the assistance of the three advisory bodies on civil service salaries and conditions of service¹ – the current consultation exercise is part of our work in pursuing the recommendation arising from phase one of the review; and undertaking of a comprehensive review of all existing civil service allowances.
- (d) Reinforcing a performance-based culture. In 2000, we set up a Secretariat on Civil Service Discipline and streamlined the disciplinary procedures whilst preserving natural justice and tightened up the granting of annual increments. In March 2003, we streamlined the procedures for removing persistent under-performers from the service under section 12 of the Public Service (Administration) Order; and in 2004 strengthened motivation of outstanding performers by widening the scope of the departmental Commendation Letter Scheme and introduced the Secretary for the Civil Service's Commendation.

¹ The three advisory bodies are the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service.

- (e) Increasing training and development opportunities. We commenced a \$50 million training and development programme in 2001-02 on top of normal training programmes, and provided some 174 000 training places in three years. We also strengthened the National Studies Programme for civil servants and introduced Exchange Visit Programmes and Staff Exchange Programmes with Mainland authorities.

Review of civil service pay policy and system

1.3 The review of civil service pay policy and system is a key component of the Civil Service Reform. The review process commenced in December 2001 with the assistance of the three advisory bodies on civil service salaries and conditions of service, especially the Task Force set up under them.

1.4 In its Phase One Final Report² submitted to the Government in September 2002, the Task Force reaffirmed that broad comparability with the private sector should be maintained as a basic principle in setting civil service pay. It further suggested that regular reviews of pay structure, levels and trends should be conducted to establish reasonable rates of pay that are accepted as fair by both civil servants and the general public, and are sufficient to recruit, retain and motivate the right staff for delivering quality service to the public. To address the public perception of a pay disparity between the civil service and the private sector, the Task Force recommended that the Government should give priority to devise a practical framework and methodology for conducting a pay level survey and to review the existing methodology of the pay trend survey. The Task Force's recommendations in this regard received general support during the public consultation on the Task Force's Phase One Final Report. In February 2003, in the context of discussing the approach for the annual civil service pay adjustment, the Secretary for the Civil Service reached a consensus with staff representatives³, among other issues, that the Government should in consultation with staff develop an improved civil service pay adjustment mechanism.

² In the review process, the Task Force studied the historical development of the civil service pay policy and system in Hong Kong, recent developments in civil service pay administration in five selected countries as well as the views put forward by various concerned parties (including civil servants, departmental/grade management and members of the public) on the existing civil service pay policy and system. In its Phase One Final Report, the Task Force set out its long-term vision for the civil service pay system in Hong Kong and identified various issues for consideration in the short, medium and long term.

³ In September 2002, the Secretary for the Civil Service set up the Working Group on Civil Service Pay Adjustment and Related Issues to discuss with staff representatives the approach for the handling of the 2003 civil service pay adjustment exercise and related matters. The Working Group comprised the staff sides of the four central consultative councils and representatives of the four major service-wide staff unions.

Improved civil service pay adjustment mechanism

1.5 The Chief Executive in Council decided in February 2003 that the Government should in consultation with staff develop an improved civil service pay adjustment mechanism which should comprise the conduct of periodic pay level surveys to compare civil service pay levels with those in the private sector, the conduct of annual pay trend surveys based on an improved methodology and an effective means for implementing both upward and downward pay adjustments.

1.6 The development of an improved civil service pay adjustment mechanism is not narrowly focused on achieving immediate savings in the Government's expenditure on staff emoluments. Rather, it is intended for long-term adoption in the civil service and aims to provide a coherent framework for periodic reviews of civil service pay levels and civil service pay adjustments in accordance with the established civil service pay policy.

1.7 To take forward the exercise, the Civil Service Bureau (CSB) set up in April 2003 the Steering Committee on Civil Service Pay Adjustment Mechanism (the Steering Committee) and the Consultative Group on Civil Service Pay Adjustment Mechanism (the Consultative Group) to respectively provide professional and staff input to the exercise. The membership lists of the Steering Committee and the Consultative Group are at [Annex A](#) and [Annex B](#) respectively. CSB has also engaged a consultant to provide technical assistance in drawing up a detailed and feasible methodology for the pay level survey.

1.8 In November 2003, CSB issued the "Progress Report on the Development of an Improved Pay Adjustment Mechanism for the Civil Service"⁴ to outline the relevant policy considerations, the proposed framework of the improved mechanism and the work plan for taking forward the exercise.

1.9 Since their establishment in April 2003, the Steering Committee and the Consultative Group have each held 19 meetings/sessions. The issues discussed include 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.

1.10 This consultation paper sets out the consultant's recommendations on the methodology of the pay level survey. It also sets out CSB's proposals on the application of the pay level survey results. In the drawing up of these recommendations and proposals, the views expressed by the Steering Committee and the Consultative Group have been carefully considered and taken on board as appropriate. These proposals are set out for extensive consultation before the Government proceeds with the field work of the pay level survey.

⁴ The Progress Report is available from the Civil Service Bureau's homepage at <http://www.csb.gov.hk>

Section 2: Policy Considerations

Civil service pay policy

2.1 It is the Government's civil service pay policy to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective, efficient and high quality service. In order that civil service pay can be regarded as fair and reasonable by both the civil servants who provide the service and the public who foot the bill, we adopt the principle that the level of civil service pay should be broadly comparable with private sector pay. The above policy and guiding principle remain valid in present day circumstances and should continue to be upheld.

Relevant policy considerations

2.2 In addition to the stated civil service pay policy, the following policy considerations are relevant to the development of an improved civil service pay adjustment mechanism -

- (a) The improved pay adjustment mechanism should support our objective of upholding and nurturing the core values of the civil service⁵. It should be conducive to maintaining a stable civil service, ensuring the efficiency and quality of the service rendered in response to the needs of the community;
- (b) Given the inherent differences in the nature of operation and the employment/remuneration practices between the civil service and the private sector (see paragraph 2.3 below), we should seek to maintain broad comparability, rather than strict comparability, between civil service pay and private sector pay;
- (c) Factors such as budgetary considerations, the state of the economy, changes in the cost of living, the views of staff as well as staff morale are also relevant in considering any adjustment to civil service pay following the pay level survey;
- (d) As the civil service pay system remains centrally administered, the existing internal pay relativities⁶ among civil service ranks should be

⁵ The core values include commitment to the rule of law, honesty and integrity, accountability for decisions and actions, political neutrality, impartiality in the execution of public functions, and dedication, professionalism and diligence in serving the community through delivering results and meeting performance targets.

⁶ Hitherto, grades with a similar qualification requirement for appointment are broadbanded into education qualification groups. The entry pay of civil service grades in the same education qualification group is determined having regard to both the entry pay for private sector jobs requiring similar qualifications for appointment and other factors relating to the job nature of the grades concerned, e.g. physical effort, working conditions, etc. Grades within the same education qualification group share a similar pay scale.

maintained unless and until the findings of grade structure reviews to be carried out for individual grades/ranks, where appropriate, support an adjustment to such relativities; and

- (e) Any changes to the existing civil service pay adjustment mechanism should be consistent with the Basic Law and should take full account of the contractual considerations, those international obligations which apply to Hong Kong and other legal considerations relevant to the employment relationship between the Government and civil servants.

Inherent differences between the civil service and the private sector

2.3. In considering how civil service pay should be compared with private sector pay and how the pay level survey results should be applied to the civil service, we should take due account of the following inherent differences between the two sectors –

- (a) The duties of certain civil service jobs (e.g. disciplined services jobs) are unique to the civil service, making it impossible to identify appropriate job matches in the private sector for a direct pay comparison for all civil service grades and ranks;
- (b) Even where reasonable private sector matches can be found, the functions and conditions of work between civil service jobs and private sector jobs would not be identical. For example, for civil service jobs which require similar knowledge and skills as those required of their private sector counterparts, they may involve formulation and implementation of territory-wide policies, regulations or legislation;
- (c) The career progression of civil servants tends to be more stable and structured while that of private sector personnel is generally more varied;
- (d) The two sectors adopt different approaches to pay due to the differences in organisational goals and operational needs. For example, the public sector put emphases on public interest while the private sector is essentially profit-driven; and
- (e) Private sector firms adopt a more flexible, hire-and-fire appointment policy, with more flexibility in their remuneration practices (e.g. performance pay, company bonus, etc.). On the contrary, civil servants have a relatively stable career and their remuneration package is relatively more standardised vis-à-vis private sector practices.

Section 3: The Consultant's Proposals on the Pay Level Survey Methodology

3.1 Having regard to the relevant policy and technical considerations and taking account of the views expressed by the Steering Committee and the Consultative Group, the consultant has made recommendations on the pay level survey methodology. The consultant's recommendations are highlighted in paragraphs 3.2 – 3.17 below. Details of the consultant's recommendations and the underlying considerations are contained in the Consultancy Report, which is available from the CSB's homepage at <http://www.csb.gov.hk>. The Executive Summary of the Consultancy Report is at **Annex C**.

The consultant's recommendations on the pay level survey methodology

(i) What should be the purpose of the pay level survey?⁷

3.2 The consultant **recommends** that the pay level survey should aim to obtain private sector pay data in a professional manner, based on comparisons of groups of broadly comparable jobs, in order to establish the extent to which civil service pay is broadly comparable to private sector pay. In making a decision on any necessary adjustments to civil service pay, the Government should take account of the survey results as well as other relevant policy considerations that cannot be directly addressed in the pay level survey.

(ii) How to achieve a reasonable, and fair comparison between civil service jobs and private sector jobs?⁸

3.3 After assessing the relative merits and shortcomings of four alternative approaches for job comparison⁹, the consultant **recommends** the broadly-defined job family method. Under the proposed 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 consultant **recommends** an 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.

⁷ See paragraphs 2.3 of the Consultancy Report for details.

⁸ See Sections II and III of the Consultancy Report for details.

⁹ 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.

3.4 To facilitate analysis of the pay data collected from private sector organisations, jobs will be categorised into job families¹⁰ according to job content and work nature and into job levels¹¹ according to their levels of responsibility and typical requirements on qualification and experience. The pay of private sector benchmark jobs within the same job family and job level will then be compared with the pay range of civil service benchmark jobs in the corresponding job family at the corresponding job level.

3.5 When compared with the job factor comparison method which was adopted in the 1986 Pay Level Survey, the recommended broadly-defined job family method is much more objective as it seeks to match jobs based on readily comprehensible job characteristics. It should be able to avoid the criticism drawn by the job factor comparison method in 1986 Pay Level Survey - the staff sides raised concern that the quantitative evaluation process entailed in the job factor comparison method was subjective, prone to error and open to manipulation, and failed to give proper consideration to other factors that are important to the civil service jobs (e.g. skills, experience, physical effort).

3.6 When compared with the job matching method, the broadly-defined job family method adopts a more wide-ranging sample of civil service jobs and provides a more clearly-defined framework for job alignment, thus producing more reliable results. The recommended method also facilitates a more comprehensive comparison of jobs at various job levels (including the entry-level and beyond) as compared with the qualification benchmark method which is more suitable for comparing jobs at entry-level only.

3.7 As regards our other aim to compare the starting salaries of entry-level jobs in the civil service and the private sector with similar typical requirements on qualifications and experience, the consultant **recommends** that the qualification benchmark method be adopted to conduct a starting salaries survey as part of the overall pay level survey, given that starting salaries for entry-level jobs are generally determined based on typical requirements on qualification and experience with only minor variations across industries.

¹⁰ The 5 proposed job families are (a) Clerical and Secretarial family; (b) Internal Support family; (c) Public Services family; (d) Works-Related family; and (e) Operational Support family. They are defined in consideration of the job content and work nature, in particular the manner in which they provide services and contribute to the functioning of the Government.

¹¹ The 5 proposed job levels aligned to the relevant ranges of civil service pay scales are –

- (a) Operational Staff (Model Scale I Pay Scale Points 0-13 and Master Pay Scale Points 0-10);
- (b) Technicians and Assistant Executives/Professionals (Master Pay Scale Points 11-23);
- (c) Middle-Level Executives and Professionals (Master Pay Scale Points 24-33);
- (d) Managerial and Senior Professionals (Master Pay Scale Points 34-44); and
- (e) Senior Managers and Lead Professionals (Master Pay Scale Points 45-49).

(iii) How to select civil service benchmark jobs?¹²

3.8 In the selection of an appropriate range of civil service benchmark jobs to facilitate a credible pay level survey, the consultant **recommends** the civil service benchmark jobs should –

- (a) have reasonable counterparts, in terms of broadly comparable job nature, skills, qualifications and experience, in a large number of private sector organisations; and
- (b) have a reasonable establishment size: each civil service benchmark grade should have an establishment size of not less than 100 posts.

When taken together, the civil service benchmark jobs should be -

- (c) reasonably representative of the civil service in terms of breadth and depth; and
- (d) be of reasonable number and manageable for pay data to be collected from private sector job matches.

3.9 The consultant therefore **recommends** that the survey field should not include –

- (a) ranks on the directorate pay scales because of the lack of reasonable private sector matches, the need to adopt a different job comparison method (e.g. the job factor comparison method) for job alignment at the directorate level and the technical problems arising from this in relation to data consolidation and data analysis¹³;
- (b) disciplined services grades and some other non-directorate civilian grades (e.g. the Air Traffic Control Officers grade) in view of the absence of reasonable private sector job matches; and
- (c) grades in the medical and health, social welfare and education fields because the pay levels and adjustments of their private sector job matches are largely guided by civil service practice.

¹² See paragraphs 2.42 to 2.52 of the Consultancy Report for details.

¹³ As different job comparison methods work on different assumptions and philosophies, 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 and analysis.

(iv) How to select private sector organisations¹⁴ for inclusion in the survey field?¹⁵

3.10 The consultant **recommends** that the criteria for selecting the organisations to be surveyed in the pay level survey should broadly follow those in the pay trend surveys, making some minor adjustments to take account of the difference in the nature of the two types of survey. Specifically, the selected organisations should –

- (a) be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
- (b) have a sufficient number of jobs that are reasonable counterparts to the benchmark jobs in the civil service;
- (c) be typical employers in their respective fields normally employing 100 or more employees;
- (d) should determine pay levels on the basis of factors and considerations applying to Hong Kong rather than outside Hong Kong;
- (e) not use civil service pay scales or pay adjustments as the major factors in determining pay levels or pay adjustments for their staff, or should not have done so in the past five years;
- (f) if they form part of a group in Hong Kong, be treated as separate organisations where pay practices are determined primarily with regard to conditions in the relevant economic sector;
- (g) taken together, encompass a reasonably wide range of economic sectors;
- (h) be sufficient in total number to ensure that each job family will have data coming from at least ten organisations; and
- (i) total about 70 to 100 organisations.

3.11 The consultant envisages that the vast majority of the participating private sector organisations would employ at least 100 staff (item (c) in paragraph 3.10 above), but smaller organisations should not be ruled out altogether where their inclusion in the survey field is necessary to enhance the coverage of benchmark jobs in the pay level survey.

¹⁴ Private sector organisations in this context are interpreted broadly as including any non-government organisations regardless of ownership and nature of business or operations and may include public or private, local or multinational and profit-making or non-profit-making firms.

¹⁵ See Section IV of the Consultancy Report for details.

(v) **What should be the scope of pay data to be collected from the private sector in order to balance the need for comprehensive information with data collection efficiency?**¹⁶

3.12 The consultant advises that the prevailing trend in the private sector is for an organisation to set its target pay practice in terms of total cash compensation. That covers, in addition to basic pay, other cash compensation components such as guaranteed bonuses, cash allowances and variable pay based on a company's or an individual's performance. Typically, the remuneration package in the private sector is structured more flexibly with considerable variations across organisations. On the other hand, the civil service remuneration package¹⁷ is relatively more standardised and transparent comprising essentially two components, i.e. basic pay paid in accordance with the pay scales of the ranks concerned and a number of fringe benefits provided under well-defined schemes either in cash (e.g. housing allowances) or in kind (e.g. medical and dental benefits).

3.13 The consultant **recommends** that we should collect information on all cash compensation elements that are paid directly to the staff of the surveyed organisations during the survey reference period. These include basic salary, guaranteed bonus, cash allowances and variable pay.¹⁸

3.14 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 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 consultant **recommends** that we should focus the comparison on cash compensation.

¹⁶ See Section V of the Consultancy Report for details.

¹⁷ The remuneration package of individual civil servants is determined by their terms of appointment, rank, salary point and other eligibility rules.

¹⁸ Basic salary means the salary payable to the job-holder on the survey base date for 12 months. Guaranteed bonus refers to the number of months of salary paid on a guaranteed basis (either contractually or by established practice), e.g., the 13th month salary. Cash allowances refer to any regular cash compensation the payment of which is subject to a pay policy and determined without reference to the job-holder's circumstances or choices and without reference to specific working conditions. Variable pay refers to those elements of pay which are determined periodically with regard to individual or organisational performance, e.g. profit sharing bonus, performance bonus, etc.

(vi) How to analyse the pay data collected from the pay level survey and relate them back to the relevant civil service pay scales for comparison?¹⁹

3.15 The consultant **recommends** analysing the following two aggregates of cash compensation –

- (a) annual base salary (including basic salary plus contractually guaranteed bonus) of the private sector benchmark jobs compared to the annual civil service salary paid for the corresponding range of pay points of the civil service benchmark jobs; and
- (b) annual total cash compensation (annual base salary plus any other cash payment) of the private sector benchmark jobs compared to the annual civil service salary paid for the corresponding range of pay points of the civil service benchmark jobs, adjusted by the annual cost to the Government of the provision of major cash allowances to civil servants. This aggregate provides a comprehensive measure of all cash compensation elements.

3.16 The consultant emphasises that in the pay level survey, we should seek to compare the pay of a group of civil service benchmark jobs sharing a similar range of pay points (i.e. civil service benchmark jobs at the same job level) with the pay ranges of broadly comparable private sector jobs. The data analyses will produce indicators of the private sector pay level at different benchmark levels, say, upper quartile, median, lower quartile and average, for comparison with the relevant range of the civil service pay scales at each job level.

(vii) What would be the implications of the pay level survey on the annual pay trend survey?²⁰

3.17 Under the improved civil service pay adjustment mechanism, pay level surveys will be the principal means for ascertaining whether civil service pay is broadly comparable to private sector pay. On the other hand, pay trend surveys offer reference on year-on-year movements in the private sector pay trends for any necessary fine-tuning of civil service pay in between two pay level surveys. The consultant points out that if pay level surveys are conducted frequently, say every three to five years, the highly precise methodology of the current pay trend survey may not be necessary. The consultant **recommends** that the Government may consider using pay trend analyses available in the market instead of conducting customised pay trend analyses. If the pay trend survey is to be continued, however, the consultant **recommends** that the survey field should be aligned with that of the pay level survey, where appropriate.

¹⁹ See Section VII of the Consultancy Report for details.

²⁰ See Section VIII of the Consultancy Report for details.

Section 4: Proposals on the Application of the Pay Level Survey Results

4.1 An issue of general concern is how the Government intends to apply the findings of the pay level survey. Taking account of the relevant policy considerations as well as the views of the Steering Committee and the Consultative Group, we have drawn up a proposed approach for consultation.

Internal pay relativities among grades/ranks

4.2 The civil service pay system is centrally administered. There are at present 11 sets of civil service pay scales²¹, each with a range of pay points based on which the pay scales of individual civil service grades and ranks are represented.²²

4.3 In order to maintain fairness and consistency in setting the pay scales of a diverse range of civil service ranks, we adopt a uniform approach in determining the pay scales of individual ranks by reference to similar entry qualification requirements and taking account of the differences in job requirements and other relevant job factors, such as special working conditions, recruitment difficulties, etc. The existing internal pay relativities among civil service grades and ranks therefore reflect the differences in their job nature and requirements. Such pay relativities have evolved principally through a series of large-scale, service-wide pay reviews carried out in the 1980s and 1990s.²³

4.4 The internal pay relativities among civil service grades and ranks mean that there is also a pattern of relativities among the 11 civil service pay scales. Such internal relativities are maintained over the years notwithstanding the annual adjustments to civil service pay. This is because during each annual civil service pay adjustment exercise, the adjustment made to the dollar value of each pay point on the Master Pay Scale is repeated for the equivalent pay point on the other 10 civil service pay scales.

Adjustment to civil service pay scales after the pay level survey

4.5 In accordance with the data analysis approach proposed by the consultant (see paragraph 3.16 above), the survey will produce a set of indicators of the private sector pay level for comparison with the relevant ranges of the civil service

²¹ The 11 sets of civil service pay scales are:- Master Pay Scale, Model Scale 1 Pay Scale, Police Pay Scale, General Disciplined Services (Commander) Pay Scale, General Disciplined Services (Officer) Pay Scale, General Disciplined Services (Rank and File) Pay Scale, Directorate Pay Scale, Directorate (Legal) Pay Scale, Training Pay Scale, Technician Apprentice Pay Scale and Craft Apprentice Pay Scale.

²² For example, the pay scale of Accounting Officer II is Master Pay Scale Points 11 – 27 (MPS 11-27).

²³ The existing system of internal pay relativities was established as a result of the Review on the Pay and Conditions of Service for the Disciplined Services in 1988 (the Rennie Review), the Salaries Structure Review in 1989 and the Starting Salaries Review 1999, subject to changes made to a small number of civil service grades/ranks in subsequent years to reflect changed job requirements.

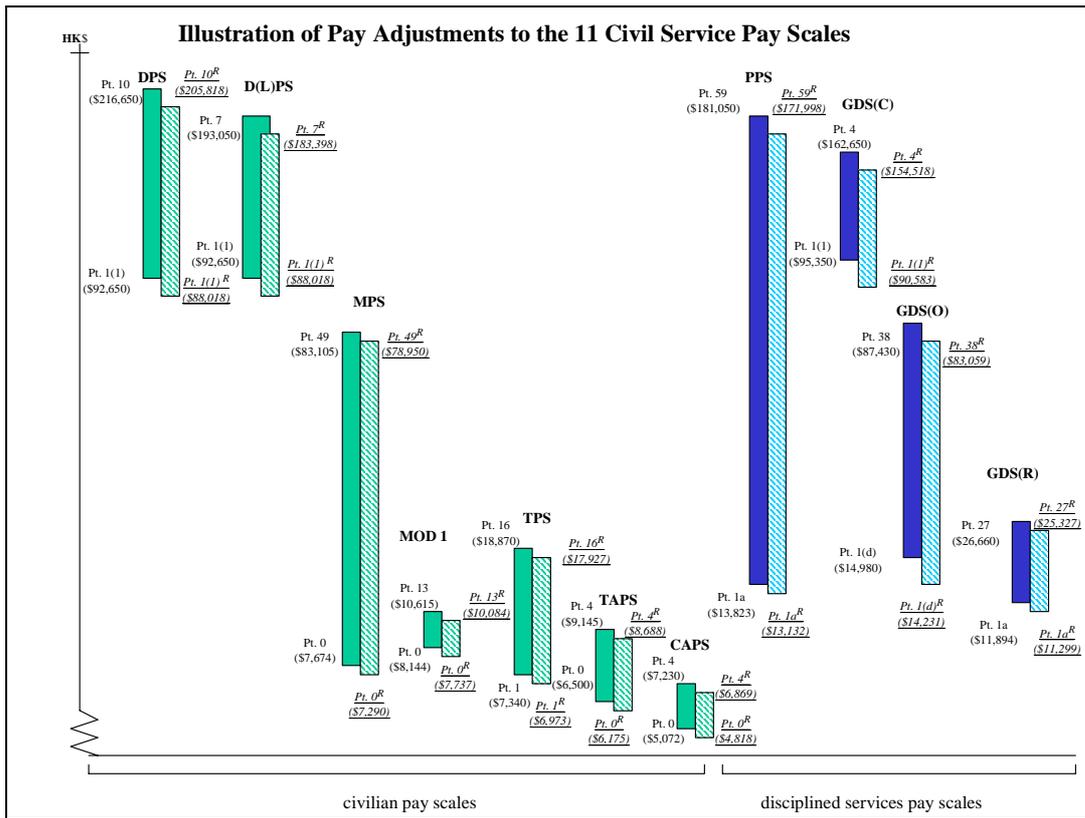
pay scales at each job level. Taking account of the pay comparison results and other relevant policy considerations, a decision will be made on any necessary adjustments to the dollar value of the civil service pay points. We **propose** that we should, following the steps outlined above and based on the existing system of internal pay relativities, draw up a new set of civil service pay scales to reflect broad comparability between civil service pay and private sector pay at different job levels.

4.6 It is possible that different rates of adjustment will be applied to different pay ranges on the civil service pay scales defined for different job levels. For illustration, assuming that having regard to the survey results and other relevant considerations, the Government decides to adjust the dollar value of each pay point on the civil service pay scales downwards by 5% across all job levels, the 11 civil service pay scales will in the first instance be adjusted as shown in **Diagram 1**.

4.7 With adjustments made to the 11 civil service pay scales after the upcoming pay level survey, the dollar value of each pay point on the pay scales of individual civil service ranks will be drawn from the adjusted civil service pay scales. **Diagram 2** illustrates how adjustments will be made to the dollar value of the pay scales of selected civil service ranks (using Accounting Officer I/II, Dietitian and Inspector of Customs and Excise as examples).

4.8 Under the approach set out in paragraphs 4.6 – 4.7 above, the existing pay relativities among different civil service grades and ranks will be maintained. The existing system of internal pay relativities among civil service grades/ranks is, however, not immutable. We recognise that certain civil service grades/ranks may have experienced significant changes in their job nature and requirements in recent years. We intend to carry out individual grade structure reviews for the grades/ranks concerned after we have completed 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. In addition, we shall consider conducting a pay review for the directorate positions, which the consultant has recommended not to include in the survey field of the upcoming pay level survey due to technical considerations (see item (a) under paragraph 3.9).

4.9 In addition, taking account of the outcome of the starting salaries survey, we shall consider necessary adjustments to the benchmark pay of the relevant civil service qualification group and, in turn, the starting salaries of the entry ranks in the relevant qualification groups.



Legend

Dollar value with effect from 1.1.2005, except for D3 and above or equivalent the dollar value of which as shown on the chart took effect from 1.1.2004.

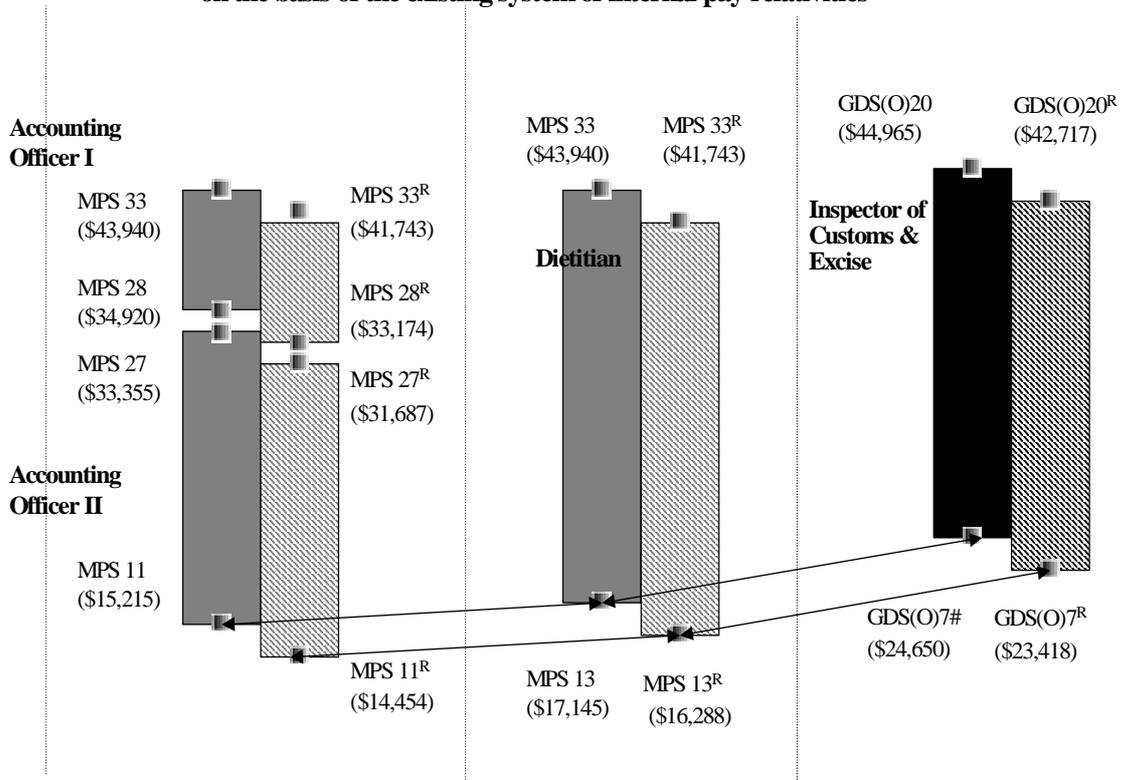
Assuming a 5% reduction to the dollar value of each pay point after the pay level survey

- DPS – Directorate Pay Scale
- D(L)PS – Directorate (Legal) Pay Scale
- MPS – Master Pay Scale
- MOD 1 – Model Scale 1 Pay Scale
- TPS – Training Pay Scale
- TAPS – Technician Apprentice Pay Scale
- CAPS – Craft Apprentice Pay Scale
- PPS – Police Pay Scale
- GDS(C) – General Disciplined Services (Commander) Pay Scale
- GDS(O) – General Disciplined Services (Officer) Pay Scale
- GDS(R) – General Disciplined Services (Rank and File) Pay Scale

R Adjusted pay point

Diagram 1

Illustration of adjustments to the dollar value of the pay scales of individual civil service ranks on the basis of the existing system of internal pay relativities



Legend

MPS Master Pay Scale

GDS(O) General Disciplined Services (Officer) Pay Scale

Dollar value with effect from 1.1.2005.

Assuming a 5% reduction to the dollar value of each pay point after the pay level survey. The range of pay points of the pay scales of individual civil service ranks remain unchanged.

^R Adjusted pay point

The entry pay for new recruits with a degree and a valid pass in the relevant papers in the Common Recruitment Examination joining the Inspector of Customs & Excise rank.

Footnote: The Dietitian Grade and the Accounting Officer Grade both belong to "Qualification Group 9: Degree and Related Grades", which has a benchmark pay at MPS Point 11. The entry pay for Dietitians is set at two MPS pay points above that of Accounting Officers II in view of the former's specialised work nature and requirement of a relevant degree. The entry pay for a new recruit to the Inspector of Customs & Excise rank with a degree and a valid pass in the relevant papers in the Common Recruitment Examination is set at GDS(O)7(\$24,650) having regard to the work nature and requirements of a disciplined services rank.

Diagram 2

Application of the adjusted pay scales to new recruits

4.10 Consistent with the established principle of broad comparability between civil service pay and private sector pay, we **propose** that the new set of civil service pay scales to be drawn up after the pay level survey (see paragraph 4.5 above) should be applied to new recruits who join the civil service after a prospective date. As civil servants recruited after the implementation of the new pay scales will be paid at levels broadly comparable to the private sector, they may be subject to annual pay adjustments in subsequent years, depending on the pay trends of the private sector as well as other relevant factors, until the next pay level survey exercise.

Application of the adjusted pay scales to serving officers

4.11 In considering the application of the survey results to serving officers who joined the Government before 1 July 1997, we have taken into account the relevant provisions of the Basic Law²⁴ as well as the following considerations –

- (a) It is the current Administration's policy that during its term of office ending 30 June 2007, the pay of civil servants who were serving immediately before 1 July 1997 will not be reduced to below the levels as at 30 June 1997 in dollar terms; and
- (b) Following the civil service pay adjustment on 1 January 2005 in accordance with the Public Officers Pay Adjustments (2004/2005) Ordinance, the pay pertaining to each pay point on the civil service pay scales will be restored to the level it was at, in dollar terms, on 30 June 1997.

4.12 While the Government reserves its views on the scope of pay adjustment permissible under the Basic Law, the considerations stated in items (a) and (b) under paragraph 4.11 above mean that between now and 30 June 2007, there is in practice no room for any further pay reduction for serving officers who joined the Government before 1 July 1997 even if the results of the upcoming pay level survey indicate that civil service pay is above the private sector pay. Given this and taking account of the feedback from the staff side members of the Consultative Group, we **propose** that if the pay level survey findings reveal that the civil service pay levels exceed the private sector pay levels, we should freeze the pay of these officers at the prevailing level until it is caught up by the private sector pay level. But the disparity will be noted and will be taken into account in the subsequent annual civil service pay adjustment exercises before the next pay level survey. In other words, it is reasonable to expect that there will be no upward adjustments to

²⁴ Those Basic Law provisions which expressly mention civil service pay and are thus of particular relevance are Article 100 and Article 103. Article 100 provides that "Public servants serving in all Hong Kong government departments ... before the establishment of the Hong Kong Special Administrative Region, may all remain in employment and retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before." Article 103 provides that "... Hong Kong's previous system of employment ... and management for the public service ... shall be maintained..."

the pay of these officers in subsequent years until the identified pay disparity disappears through the cumulative effect of pay freezes for a number of years or as a result of a subsequent pay level survey or an individual grade review where applicable.

4.13 Neither the Basic Law nor the current Administration's policy not to reduce civil service pay to below the June 1997 level (see paragraph 4.11 above) applies to serving officers who joined the Government on or after 1 July 1997. As at 30 September 2004, there were about 17 000 such officers. 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 pay levels. We note, however, the views expressed by the staff side members of the Consultative Group that officers joining the Government before and after the handover should be treated in like manner to avoid any divisive effect on the civil service. On staff management and staff morale grounds, we **propose** to adopt the same approach for all serving officers, irrespective of whether their appointment dates were before or after the handover, in applying the results of the pay level survey. In other words, we **propose** not to reduce the salary of any serving officers as a result of the upcoming pay level survey on the condition that any pay disparity will be dealt with in subsequent years as described in paragraph 4.12 above. We should stress that this proposal, if adopted, does not carry any implication that the Basic Law protects the pay and conditions of service of officers who joined the Government on or after 1 July 1997.

Other related issue

4.14 The above has assumed that any pay disparity revealed by the upcoming pay level survey will suggest that the pay level of serving officers is higher than private sector pay level. In the event that the pay disparity shows that civil service pay at certain job levels is lower than private sector pay at the corresponding level, we **propose** that the identified pay disparity, together with other relevant factors, will be taken into account in considering whether there should be any upward pay adjustment in the annual pay adjustment exercise of the immediate following year, say 2006.

Section 5: Next Steps

Development of an improved civil service pay adjustment mechanism

5.1 Following the close of the consultation exercise, we shall, taking account of the consultation feedback and other relevant considerations, take a decision on the methodology of the pay level survey and the general approach for the application of the survey results. The CSB will then commission a separate consultancy (second phase) for carrying out the survey field work according to the finalised methodology. The second phase consultancy will be open to any consulting firms which have the necessary expertise and experience to provide the required services.

5.2 Subject to the consultation feedback on the recommended broadly-defined job family method, we shall carry out the job inspection exercise as recommended by the consultant before the commencement of the survey field work. This process of ascertaining the details of the job characteristics of the civil service benchmark jobs will be undertaken with the participation of the departmental/grade management and job-holder representatives.

5.3 Allowing time for consideration of the views received during the consultation period and the relevant preparatory work, we expect that the survey field work will commence in the first quarter of 2005 with a view to covering the pay adjustments in the private sector up to 1 April 2005. We shall present detailed proposals on the application of the survey results upon completion of the data analysis. Separately, we shall further discuss with the Steering Committee and the Consultative Group whether and, if so, how the existing methodology of the pay trend survey should be improved. We shall also consider how best to develop an effective means for implementing both upward and downward pay adjustments. Our intention is to complete the whole exercise on the development of an improved civil service pay adjustment mechanism within 2005.

5.4 Below is our latest work plan for taking the next steps forward :

November 2004 – January 2005	Extensive consultation on the proposed pay level survey methodology and the proposals on the application of the survey results.
1 st quarter of 2005	To decide on the pay level survey methodology and the general approach for the application of the pay level survey results and to commence the field work of the pay level survey, including the job inspection process if we decide to adopt the broadly-defined job family method.
Latter half of 2005	To complete the analysis of the pay level survey data and to present detailed proposals on the application of the survey results.
4 th quarter of 2005	To introduce any necessary bill for implementing both upward and downward pay adjustments into the Legislative Council.

5.5 Our vision is to develop a pay adjustment mechanism for long-term adoption in the civil service with the following features:

- (a) a consistent and objective basis to obtain a benchmark reference of private sector pay levels and pay movements for comparisons with civil service pay levels;
- (b) a structured framework for determining and adjusting civil service pay with its constituent components functioning in a coordinated manner;
- (c) a new set of civil service pay scales which could be flexibly adjusted in reflection of the updated market pay levels for application to new recruits; and
- (d) an effective means for implementing both upward and downward pay adjustments.

Reform of the broader civil service pay system

5.6 We should emphasise that the development of an improved civil service pay adjustment mechanism forms part and parcel of our ongoing efforts to modernise the civil service pay system. Following the completion of the current exercise, we shall proceed to examine the other pay-related measures recommended by the Task Force for further study in the medium and long term. Broadly speaking, these measures relate to –

- (a) the civil service salary structure, such as introduction of performance pay, flexible pay ranges, consolidation of allowances into the base pay and a clean wage policy; and
- (b) civil service pay administration, such as simplification of grade structure (and consequentially a streamlined civil service pay framework) and decentralisation of pay administration.

5.7 It is our intention to consider in a step-by-step manner the feasibility of the ideas raised by the Task Force. We shall, after the current exercise, pursue the following initiatives.

- (i) Conduct of grade structure reviews

5.8 As mentioned in paragraph 4.8 above, we shall, after developing an improved civil service pay adjustment mechanism, carry out grade structure reviews for those grades/ranks which may have experienced significant changes in their job nature and requirements in recent years. In carrying out the grade structure reviews, we shall take the opportunity to identify the scope for streamlining the grade structure, and hence the pay framework, of the civil service. Our aim is to complete these grade structure reviews within about two years after the current exercise.

(ii) Explore the feasibility of a more flexible salary structure for the civil service

5.9 The Task Force has recommended that for the medium term, we should explore the introduction of performance pay and flexible pay ranges to the civil service as well as the consolidation of civil service allowances into base pay. We concur that some of the current practices within the civil service salary structure, e.g. the granting of annual increments and payment of miscellaneous allowances have room for improvement. We shall explore the feasibility of developing a more flexible salary structure that is more performance-oriented and is capable of greater responsiveness to private sector pay movements for application to new recruits in the first instance. If the new salary structure proves practicable, we could then consider the feasibility of implementing it on serving officers.

5.10 Pending the implementation of a new salary structure for civil servants, we shall continue our efforts in improving the arrangement for granting annual increments to help maintain a high level of performance and efficiency among civil servants. We shall consider feasible ways to enhance staff motivation as more and more serving officers have attained the maximum pay point of their respective ranks. On the other hand, we are also looking into ways to enhance our performance management system, e.g. by streamlining the procedures for removing under-performers from the service under section 12 of the Public Service (Administration) Order²⁵, with a view to providing a more conducive environment for the future introduction of a more performance-oriented pay system for the civil service.

5.11 As regards the payment of civil service allowances, we have in recent years ceased the payment of many out-dated allowances to new recruits. With the introduction of the new terms in June 2000, the fringe benefit package is now more closely in line with the private sector. We are undertaking a comprehensive review to rationalise the payment of various civil service allowances to serving officers and shall continue to explore scope for further streamlining the remuneration package for new recruits.

(iii) Explore the feasibility of decentralising pay administration

5.12 The Task Force has recommended that consideration be given to decentralising pay administration to departments in the long term. The recent introduction of the operating expenditure envelope approach in financial management²⁶ on the one hand and the further delegation of civil service management authority from the Secretary for the Civil Service to departmental and grade management have laid the essential foundation for further development in this direction. Under the service-wide drive towards enhanced efficiency and

²⁵ Under Section 12 of the Public Service (Administration) Order, an officer may be required to retire in the public interest on grounds of persistent sub-standard performance.

²⁶ Individual Directors of Bureaux are given greater flexibility over the deployment of financial resources up to a specified spending ceiling within their respective policy areas.

effectiveness in internal administration and service delivery, bureaux and departments will intensify their efforts in pursuing various reform measures such as re-engineering of procedures and processes, re-structuring and re-organisation. We shall explore the decentralisation of pay administration to departments in the light of the above developments in due course.

5.13 With these very broad and general directions for the future reform of our civil service pay system, we shall develop more concrete proposals regarding these reform initiatives and fully consult civil service colleagues in due course. In taking forward the current exercise as well as other review proposals, we shall take full account of the views put forward by all parties concerned (staff and members of the public included) and be guided by the overall interests of the community as a whole.

Consultative Group on Civil Service Pay Adjustment Mechanism

Membership

Chairman :

The Hon. Joseph W.P. Wong, GBS, JP Secretary for the Civil Service

Management Side :

Mrs. Rebecca Lai, JP Permanent Secretary for the Civil Service

Mrs. Jessie Ting, JP Deputy Secretary for the Civil Service (2)

Mr. Eddie Mak Principal Assistant Secretary for the Civil Service (Pay & Leave)

Mr. Patrick Chan Principal Assistant Secretary for the Civil Service (Staff Relations)

Miss Gloria Lo (Secretary) Assistant Secretary for the Civil Service (Pay)

Staff Side :

Senior Civil Service Council

Mr. Paul PANG Tat-choi (from April 2003 to 26 October 2003)

Mr. Peter CHAN Pak-fong

Mr. Philip KWOK Chi-tak (from 27 October 2003 onwards)

Mr. Barry Brown

Mr. Garry Laird

Ms. Cecilia SO Chui-kuen (from April 2003 to 4 November 2003)

Mr. Peter WONG Hyo

Ms. LI Kwai-yin

Mr. TAM Chi-hang (from 5 November 2003 onwards)

Model Scale 1 Staff Consultative Council

Mr. LUNG Wing-fat (from April 2003 to 4 September 2003)
Mr. CHAN Cheung-ye (from 5 September 2003 onwards)
Mr. CHOW Yiu-kwong
Mr. LEUNG Tat-wah
Ms. FUNG Mei-lan
Ms. LI Kit-ching
Mr. LEE Wai

Police Force Council

Mr. TSE Shu-chuen (from April 2003 to 27 May 2003)
Mr. Bill SUEN Kwai-leung (from 28 May 2003 onwards)
Ms. Vincy WONG Wing-sze (from April 2003 to 12 August 2003)
Ms. WAN Miu-ling (from 13 August 2003 to 1 June 2004)
Ms. LUI Wei-ye (from 2 June 2004 onwards)
Mr. Francis Carroll
Mr. LAU Kam-wah (from April 2003 to 6 July 2004)
Mr. CHUNG Kam-wa (from 7 July 2004 onwards)

Disciplined Services Consultative Council

Mr. LAM Kwok-ho
Mr. KWAN Leung-wah
Mr. NGAI Sik-shui
Mr. YUEN Fong-him
Mr. HO Pui-lam

Government Employees Association

Mr. CHAN Che-kwong
Mr. TANG Fuk-ki (from April 2003 to 31 January 2004)
Mr. SUEN Ming-fung (from 1 February 2004 onwards)

Government Disciplined Services General Union

Mr. CHIU See-wai
Mr. POON Chi-ming

Hong Kong Federation of Civil Service Unions

Mr. LEUNG Chau-ting
Mr. CHU Wai-hung

Hong Kong Civil Servants General Union

Mr. CHEUNG Kwok-bui

Mr. YAU Yan-hung

Executive Summary of the Consultancy Report

I. Introduction

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

2. The purpose of this consultancy is to develop a feasible and detailed methodology for conducting a pay level survey in a credible and professional manner having regard to the relevant policy considerations and guiding principles. The scope of the consultancy does not include making recommendations on how the survey findings should be applied. The development of the pay level survey methodology represents the first phase of a two-phase process. In the second phase, the Civil Service Bureau (CSB) will seek technical assistance under a separate consultancy in carrying out the actual field work of the pay level survey and the data analysis for the pay level survey.

3. The consultant is required to have regard to the following considerations in drawing up the survey methodology:

- (a) the need to take full account of all the relevant policy considerations guiding the development of the improved civil service pay adjustment mechanism;
- (b) the established principle of maintaining broad comparability between civil service pay and private sector pay, considering the differences in the nature of operation, appointment/remuneration practices, as well as the job nature and requirements between the civil service and the private sector;
- (c) the existing internal pay relativities among civil service grades and ranks, derived from the qualification group system, which help maintain a degree of consistency and fairness in determining the pay levels for a diverse range of grades and ranks;
- (d) the need to examine different possible approaches to conducting a pay level survey, each with its own advantages and disadvantages before identifying the recommended approach;

- (e) the need to seek and take into account the views of the Steering Committee on Civil Service Pay Adjustment Mechanism¹ (Steering Committee), the Consultative Group on Civil Service Pay Adjustment Mechanism² (Consultative Group) and other relevant parties; and
- (f) the emphasis of the pay level survey on making a comparison of pay, rather than collection of detailed information on and valuation of benefits and perquisites.

4. In developing the recommended methodology of the pay level survey, the consultant has held extensive discussions with the Steering Committee, the Consultative Group and the CSB. The Consultant has made recommendations on the survey methodology after taking into consideration and addressing the views expressed by parties concerned.

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

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

¹ The Steering Committee comprises selected members drawn from the three advisory bodies on civil service salaries and conditions of service, i.e. the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Directorate Salaries and Conditions of Service and the Standing Committee on Disciplined Services Salaries and Conditions of Service.

² The Consultative Group comprises representatives from the staff sides of the four central consultative councils and the four major service-wide staff unions.

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

Job comparison methods

6. It is important to emphasise at the outset that there are inherent differences in the nature of operation, job requirements as well as the appointment/remuneration practices between the civil service and the private sector. Regardless of which job comparison method is adopted, it will be neither practical nor appropriate to seek a precise comparison between the pay of an individual civil service job with the pay of its private sector counterparts in the pay level survey. In support of the established policy of broad comparability between civil service pay and private sector pay, the pay level survey should aim to obtain private sector pay data in a professional manner, based on comparisons of groups of broadly comparable jobs, in order to establish the extent to which civil service pay is broadly comparable to private sector pay.

7. Four alternative approaches for comparing jobs in the two sectors have been considered – the job matching method, the job family method, the job factor comparison methods, and the qualification benchmark method.

Job Matching Method: Comparing civil service benchmark jobs with those private sector jobs that are highly similar in job nature and content.

Job Family Method: A variation of the job matching method by putting similar jobs together into a family of jobs in a hierarchy of job levels for job comparison purpose. The jobs in the same job family may be related by discipline, function or nature of work. Job families may be defined in narrow terms based on close job matches such as the Engineer Job Family or in broad terms such as the Secretarial and Clerical Job Family.

Job Factor Comparison Methods: Comparing jobs, regardless of function or specialisation, of the same range of scores which are assessed by a job evaluation methodology on the basis of a number of specified job factors (e.g. accountability, problem solving, technical know-how, etc.).

Qualification Benchmark Method: Comparing groups of jobs based on similarity of entry requirements rather than the accountabilities or duties of the jobs.

8. Having assessed the relative merits and shortcomings of the four job comparison methods, we **recommend** adopting the broadly-defined job family method for comparing civil service pay levels and private sector pay levels and the qualification benchmark method for a comparison specifically of starting salaries between the two sectors.

9. We **recommend** the broadly-defined job family method for the comparison of the overall pay levels between the two sectors as it is better able than the other job comparison methods to meet the objective of the pay level survey and address the policy and technical considerations arising from a pay level survey. As compared with other job comparison methods, the

broadly-defined job family method with job matches broadly comparable in various job-related aspects (e.g. job content, work nature, level of responsibility and typical requirements on qualification and experience) facilitates the identification of a wider representation of civil service jobs as compared with the job matching method (the survey field of which is limited to close matches) and provides a more clearly defined framework for job alignment as compared with the job factor comparison methods (which are not so easily understood and involve a greater degree of judgment in the job evaluation process as well as difficulty in reaching a consensus on the evaluation results). A broader representation of jobs in the civil service and the private sector will allow the collection of more pay data for comparison purpose. Such pay data will give a more accurate reflection of how private sector pay levels compare with the relevant range of pay points on the civil service pay scales at different levels.

Criteria for selection of civil service benchmark jobs

10. To ensure that the civil service benchmark jobs selected are representative of the civil service and have reasonable private sector matches, we **recommend** the following criteria for selecting civil service benchmark jobs -

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

11. In accordance with the above criteria, we have drawn up a preliminary list of civil service jobs together with their corresponding private sector job matches. The proposed civil service benchmark jobs represent about 44% of the total civil service establishment. If excluding the disciplined services (which obviously do not have private sector matches) and the civil service ranks on the directorate pay scales (the comparison necessitates a combination of survey methodologies which will create practical challenges for data consolidation) as well as those civil service jobs the private sector matches of which make reference to the civil service pay scales in determining

their pay levels (including the civil service ranks in the medical and health care field, the social welfare field and the education field), the selected civil service benchmark jobs represent about 73% of the remaining civil service establishment. The other civil service jobs which have been excluded from the survey field mostly belong to small grades/ranks (therefore not meeting the establishment size criterion which seeks to ensure that benchmark jobs are representative of the civil service) or do not have private sector matches.

Scope of survey field

12. We **recommend** that certain civil service grades/ranks be excluded from the survey field in the absence of comparable jobs in the private sector. These civil service grades/ranks are disciplined services grades and some non-directorate civilian grades without private sector counterparts. We also **recommend** that civil service ranks on the directorate pay scales be excluded because of the lack of reasonable private sector matches and the need for adopting a different job comparison method (viz. the job factor comparison method) for job comparisons at the directorate level. The private sector pay data obtained respectively for the directorate and non-directorate positions by different job comparison methods cannot present a coherent picture for data consolidation since different methods work on different assumptions and philosophies. In addition, we **recommend** that the civil service grades in the medical and health care field, the education field and the social welfare field be excluded from the survey field as benchmark jobs because the private sector organisations where we can find reasonable counterparts for these grades will be excluded from the survey field on the ground that they use civil service pay scales or pay adjustments as major factors in determining pay levels or pay adjustments or have done so in the last five years.

Starting salaries survey

13. We **recommend** that as part of the pay level survey, a starting salaries survey be conducted using the qualification benchmark method. It will compare the benchmark pay in each civil service qualification group with the starting salaries of those entry-level jobs in the private sector with similar requirements on qualification and experience. For this purpose, only data on starting salary paid to an employee after the confirmation adjustment at the end of his probation period (if any) and within his first year of employment will be collected. Only entry-level jobs in the private sector are surveyed.

14. We **recommend** the qualification benchmark method, which is mainly suitable for a pay survey of the starting salaries of entry-level positions, for the starting salaries survey. Having regard to the experience gained in the Starting Salaries Review 1999 and the common entry requirements in the private sector, nine civil service qualification groups have been selected for inclusion in the survey field. To ensure consistency in the scope of private sector jobs to be covered in the starting salary review and the overall pay level survey, we **recommend** collecting data on starting salaries for private sector jobs performing functions relevant to the civil service job families that are to be adopted for categorising benchmark jobs for the overall pay level survey. We

also **recommend** that the selection of organisations to be surveyed for collecting data on private sector starting salaries be consistent with that for the overall pay level survey. We also **recommend** that the data collection and analysis processes for the starting salaries survey should follow the approaches to be adopted for the overall pay level survey (i.e. collecting different cash compensation elements and adopting the typical organisation practice approach to consolidate data).

III. Alignment of benchmark jobs into job families and job levels

15. Under our recommended broadly-defined job family method, civil service benchmark jobs will be aligned with private sector jobs which are broadly comparable in various job-related aspects (e.g. job content, work nature, level of responsibility and typical requirements on qualification and experience). We **recommend** that the civil service benchmark jobs and the broadly comparable private sector benchmark jobs identified be categorised into 5 job families and 5 job levels such that the pay of the civil service and private sector job matches that are broadly comparable in terms of job content and work nature (categorised in the same job family) as well as level of responsibility and typical requirements on qualification and experience (categorised in the same job level) will be compared. This will provide a more systematic basis for analysing data based on broad comparability of jobs in various job-related aspects with a view to producing useful statistics for the purpose of pay comparison. These five job families are the Clerical and Secretarial, Internal Support, Public Services, Works-Related, and Operational Support families. The five job levels are aligned to relevant range of pay points on the civil service pay scales, including Operational Staff (MPS³ Points 0-10 and Mod 1⁴ Points 0-13), Technicians and Assistant Executives/Professionals (MPS Points 11-23), Middle-Level Executives and Professionals (MPS Points 24-33), Managerial and Senior Professionals (MPS Points 34-44), and Senior Managers and Lead Professionals (MPS Points 45-49).

16. To ensure proper alignment of civil service jobs and private sector jobs, we **recommend** that an intensive job inspection process with the departmental/grade management and representatives of job-holders in the civil service be conducted for all the civil service benchmark jobs to ascertain the details of their work nature and job characteristics. The information gathered through the proposed job inspection process would help the consultant gain a thorough understanding of the benchmark jobs in the civil service and accordingly prepare detailed job descriptions for identifying corresponding private sector benchmark jobs in the organisations to be surveyed to ensure proper job alignment and collection of data.

IV. Selection of private sector organisations to be surveyed

17. We **recommend** that the criteria for selecting the organisations to be surveyed be broadly similar to those adopted for the pay trend survey although

³ Master Pay Scale

⁴ Modal Scale I

the difference in nature between a pay level survey and a pay trend survey necessitates some adjustments to the criteria for application to the pay level survey. The specific criteria include:

- (a) The selected organisations should be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
- (b) The selected organisations should have a sufficient number of jobs that are reasonable counterparts to benchmark jobs in the civil service;
- (c) The selected organisations should be typical employers in their respective fields normally employing 100 or more employees but flexibility should be allowed over the employment size of the private sector organisations where the inclusion of such organisations will enhance the coverage of benchmark jobs and provided that these organisations meet all the other selection criteria. This criterion would not exclude organisations with less than 100 employees;
- (d) The selected organisations should determine pay levels on the basis of factors and considerations applying to Hong Kong rather than outside Hong Kong;
- (e) The selected organisations should not use civil service pay scales or pay adjustments as the major factors in determining pay levels or pay adjustments for their staff, or should not have done so in the past five years;
- (f) If they form part of a group in Hong Kong, the selected organisations should be treated as separate organisations where pay practices are determined primarily with regard to conditions in the relevant economic sector. A limit may be placed on the number of organisations in the survey that belong to one company group;
- (g) Taken together, the selected organisations should represent a breadth of economic sectors;
- (h) The total number of surveyed organisations should be sufficient to ensure that each single job family will have data coming from at least ten organisations; and
- (i) 70-100 organisations should be included in the survey field.

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

V. Data elements

19. This pay level survey focuses on comparison of pay. In view of the differences in the structuring of the remuneration package between the civil service and the private sector, for a comprehensive comparison of the pay levels between the two sectors, we **recommend** collecting data on all cash compensation elements from the private sector, including basic salary, guaranteed bonus (e.g., end-of-year guaranteed bonus), cash allowances and variable pay.

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

VI. Data collection procedures

21. We **recommend** that the major steps of the data collection procedures should include invitation of potential private sector organisations, confirmation that they meet the selection criteria, job alignment, data collection, data verification and validation.

22. Job alignment is a critical process for which we **recommend** that the survey consultant meet with representatives of each participating organisation to confirm job matches. The survey consultant should consider, where available, relevant information to confirm that each relevant private sector benchmark job is a reasonable match in all relevant aspects of the job as set out in the job descriptions to be prepared for identifying corresponding private sector benchmark jobs in the organisations to be surveyed.

VII. Data analysis

23. The process of data analysis should present factual statistical information on the market pay data collected from participating organisations, including the calculation of the relevant private sector pay statistics corresponding to each job level of each job family. These may then be combined by taking an average of the results for all job families at the same job level. This combined average provides a set of private sector pay statistics for comparison to the relevant range of pay points on the civil service pay scales.

24. For the purpose of calculating the private sector pay indicators for individual job families, we **recommend** the typical organisation practice approach. Under this approach, the pay level statistics for a particular job family at a particular job level will be calculated based primarily on organisational practices, whereby each organisation participating in the pay

level survey receives an equal weight regardless of the number of job-holders in that organisation. Such organisation-based indicators reflect the typical pay practices of private sector organisations for a particular job family at a particular job level. The result will be less subject to the influence by a small number of large organisations with relatively high or low pay practices.

25. We also **recommend** combining all private sector pay indicators for each job family at a particular job level by calculating the unweighted average of all these indicators to give one analysis for that job level (known as the job family-based average method). This approach has the merit of providing a consolidated indicator of the private sector pay levels across all job families for each job level, while also reflecting for reference the differences, if any, in the pay levels among different job families in the private sector at a particular job level.

26. Recognising the differences in the structuring of the compensation package between the civil service and the private sector, we **recommend** analysing the following two aggregates of cash compensation by calculating the upper quartile, the median, the lower quartile, and the average -

- (a) **Annual base salary**, defined as basic salary plus contractually guaranteed bonus; and
- (b) **Annual total cash compensation**, defined as annual base salary plus any other cash payment (including cash allowances and variable pay) except those that are conditional on particular working conditions (such as overtime or work location) or on individual circumstances (e.g. payments in reimbursement of business expenses).

27. We also **recommend** that the following two sets of pay data analyses be presented –

- (a) **Annual base salary in the private sector compared to the annual civil service salary paid according to the corresponding range of pay points on the civil service pay scales.** In essence, this will indicate the comparison of the level of basic element of cash compensation for the relevant benchmark jobs but do not take into account cash allowances and variable pay.
- (b) **Annual total cash compensation in the private sector compared to the annual civil service salary paid according to the corresponding range of pay points on the civil service pay scales with suitable adjustments to reflect the annual cost to Government of the provision of major cash allowances to civil servants.** This aggregate provides a comprehensive measure of all cash compensation elements.

28. We should emphasise that we are not comparing the pay level of an individual job with the pay of its private sector counterpart, but rather the pay range of a group of civil service benchmark jobs that share a similar range of

pay points on the civil service pay scales with the pay ranges of private sector jobs that are broadly comparable in terms of job content, work nature, level of responsibility and typical requirements on qualification and experience.

VIII. Pay trend survey

29. The pay level survey should be the principal means for ascertaining whether civil service pay is broadly comparable with private sector pay. If the pay level survey is conducted at a frequency of three to five years, we **recommend** that the Administration may consider making reference to pay trend analyses available in the market, instead of conducting customised pay trend analyses.

30. However, if the pay trend survey is to be continued, we **recommend** that the survey field be aligned with that of the pay level survey. We **recommend** that the survey should collect data on year-to-year change to total cash compensation (i.e. base pay, cash allowances plus variable pay) and adopt the same unweighted average method for data analysis. We also **recommend** that the survey should also collect policy information on the provision of total cash compensation to ensure that only the relevant data will be collected. Furthermore, the pay trend survey needs only be conducted in the interim years between two pay level surveys.

IX. Next steps

31. Before the survey field work commences, there are a number of necessary steps for the job selection and job alignment processes, including selection of civil service benchmark jobs based on the selection criteria, identifying private sector matches on a preliminary basis, categorising these benchmark jobs in the civil service and the private sector into job families and job levels, and preparation of job descriptions for identifying corresponding private sector benchmark jobs in the organisations to be surveyed. The survey consultant also needs to confirm if the list of private sector organisations for inclusion in the survey field meet the relevant selection criteria.

32. The pay level survey and the pay trend survey aim to collect, in a professional manner, private sector data on pay levels and pay trends as broad reference, among other factors, for consideration of any necessary adjustment to the civil service pay scales. The comparison results cannot, and should not, be regarded as a precise measure of any pay disparity between the two sectors. When the Administration makes a decision on any necessary adjustment to civil service pay following the pay level survey, it will take into account other relevant factors including the inherent differences between the two sectors and other relevant policy considerations.