

Executive Summary

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.