

HONG KONG
STANDING COMMISSION ON CIVIL SERVICE
SALARIES AND CONDITIONS OF SERVICE

REPORT No. 50

REPORT 2012

CHAIRMAN

MR WILFRED WONG YING-WAI, SBS, JP

FEBRUARY 2013

公務員薪俸及服務條件常務委員會
Standing Commission on Civil Service Salaries and Conditions of Service

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27 February 2013

The Honourable C Y Leung, GBM, GBS, JP
The Chief Executive
Hong Kong Special Administrative Region
People's Republic of China
Tamar
Hong Kong

Dear Sir,

----- On behalf of the Standing Commission on Civil Service Salaries
and Conditions of Service, I have the honour to submit a report on our work
during 2012.

Yours faithfully,



(Wilfred Wong Ying-wai)
Chairman

Standing Commission on Civil Service
Salaries and Conditions of Service

Encl.

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Standing Commission on Civil Service Salaries and Conditions of Service

(Membership as at end of December 2012)



Front Row:	Miss Elaine Chan	The Hon Jeffrey Lam, GBS, JP	Mr Wilfred Wong Ying-wai, SBS, JP (Chairman)	Mr Owen Chan, JP	Prof Suen Wing-chuen
Back Row:	Mr Patrick Li, JP (Secretary General)	Dr Carrie Willis, SBS, JP	Mr Hubert Law (Assistant Secretary General)		
Absent:	The Hon Barry Cheung, GBS, JP	Dr Miranda Chung	Mr Pang Yiu-kai, SBS, JP	Mr Wilfred Wong Kam-pui	

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Chapter 1

Introduction

1.1 Since its establishment in 1979, the Standing Commission on Civil Service Salaries and Conditions of Service has been advising the Chief Executive on the principles and practices governing pay, conditions of service and salary structure of non-directorate civil servants, other than judicial officers and disciplined services staff. The Commission provides independent advice and makes recommendations to the Chief Executive, after taking into full account relevant factors and views expressed by the parties concerned. The Commission's terms of reference are at **Appendix A**.

1.2 This is our fiftieth report. It gives an account of our major undertakings in 2012. During the year, we held three Commission meetings, four consultation sessions in relation to the 2012 Starting Salaries Survey and the Pay Level Survey, and conducted the 2012 round of informal meetings with the civil service staff councils/associations.

1.3 The Commission's membership in 2012 is at **Appendix B**. All ten Commission Members are non-officials appointed in their personal capacity by the Chief Executive. With the retirement of Mr Nicky Lo Kar-chun, SBS, JP on 1 August 2012, Mr Wilfred Wong Ying-wai, SBS, JP was appointed as the Chairman of the Commission. Mr Lo has served in the Commission for a total of 12 years, with 6 years as the Chairman. We would like to record our heartfelt appreciation to Mr Lo, whose outstanding leadership and insightful views have steered the Commission through many major reviews. We would also like to express our gratitude to Ms Virginia Choi, JP, who retired after six years of dedicated service, and the Hon Barry Cheung, GBS, JP, who resigned from the Commission with effect from January 2013. We welcome Dr Carrie Willis, SBS, JP, and Mr Joseph Lo Kin-ching, who were appointed to the Commission with effect from August 2012 and January 2013 respectively.

1.4 We would like to thank Mr Paul Tang, JP, Secretary for the Civil Service, and his predecessor, Miss Denise Yue, GBS, as well as their staff for their assistance and co-operation. Our appreciation also goes to Mr Patrick Li, JP, Secretary General of the Joint Secretariat for the Advisory

Bodies on Civil Service and Judicial Salaries and Conditions of Service, and his staff for their support during the year.

Chapter 2

2012 Starting Salaries Survey and the Pay Level Survey

2.1 As set out in our Report No. 48 “Report 2011”, the Commission considered the Administration’s invitation to conduct the 2012 Starting Salaries Survey (SSS) and the Pay Level Survey (PLS), and recommend how the survey findings should be applied to the non-directorate civilian grades in the civil service.

2.2 In January 2012, the Commission accepted the Administration’s invitation to conduct the 2012 SSS and the PLS. On the consideration that the PLS was more complex and had a wider scope and impact on the civil service, and would be a much more complicated exercise requiring a much longer time to complete as compared to the SSS, the Commission, while accepting the invitation, was of the view that the 2012 SSS and the PLS should be delinked, and that the two surveys should be conducted separately. The Commission’s reply letter to the Secretary for the Civil Service is at **Appendix C**.

2012 Starting Salaries Survey

Mode of Operation

2.3 The 2012 SSS is the second time the Commission conducts an SSS under the *Improved Civil Service Pay Adjustment Mechanism*¹ (*Improved Mechanism*). The full Commission was involved in the planning and conduct of the 2012 SSS. To facilitate work on specific areas, the Commission set up three core groups, responsible for the consultation of stakeholders, selection of consultant and technical aspects of the pay comparison survey respectively.

¹ Under the *Improved Civil Service Pay Adjustment Mechanism* approved by the Chief Executive-in-Council in May 2007, the three-yearly SSS complements the six-yearly PLS and the annual Pay Trend Survey to maintain broad comparability between civil service pay and private sector pay.

2.4 As in the 2009 SSS, the disciplined services grades were excluded from the SSS because of the lack of market comparators. The Commission would defer to the Administration to consider whether, and if so how, the Commission's recommendations would be applied to the disciplined services grades, taking into account the advice of the Standing Committee on Disciplined Services Salaries and Conditions of Service (SCDS) as appropriate. In line with the practice of previous SSSs, we invited the SCDS to nominate an observer for the 2012 SSS. The SCDS nominated Professor Richard Ho as the observer, who participated in the relevant meetings of the Commission and was kept posted on the progress throughout the exercise.

Consultation with Stakeholders

Staff Consultation

2.5 The Commission remained firmly of the view that staff consultation is crucial to the successful completion of the 2012 SSS. As in the 2009 SSS, the Commission exchanged views with the Staff Sides of the four Central Consultative Councils² and the four major service-wide staff unions³ in the 2012 SSS. Three stages of staff consultation on different aspects of the survey were held, as follows –

- (a) Stage one (March 2012) – proposed framework for the survey;
- (b) Stage two (June 2012) – detailed methodology and survey field for the survey; and
- (c) Stage three (November 2012) – application framework for the survey.

Private Sector

2.6 The Commission also maintained close liaison with the private sector, and exchanged views with the Employers' Federation of Hong Kong (EFHK), the Hong Kong Institute of Human Resource Management (HKIHRM) and the Hong Kong People Management Association (HKPMA)

² The four Central Consultative Councils are the Senior Civil Service Council, the Model Scale 1 Staff Consultative Council, the Police Force Council and the Disciplined Services Consultative Council.

³ The four major service-wide staff unions include the Government Employees Association, the Hong Kong Civil Servants General Union, the Hong Kong Federation of Civil Service Unions and the Government Disciplined Services General Union.

on the prevailing practices of conducting pay surveys in the private sector. During the conduct of fieldwork, a briefing session was held for the private sector organisations invited to participate in the 2012 SSS.

The Survey

2.7 In line with the practice in previous SSSs, the Commission conducted the 2012 SSS to collect information on private sector pay for entry-level jobs for comparison with the civil service starting salaries, with a view to ascertaining whether the entry pay in the civil service remained broadly comparable with that in the private sector.

Methodology

2.8 The Commission adopted a consistent approach for the survey methodology as developed in the 2009 SSS, using the Qualification Benchmark System as a basis. Briefly, basic ranks of the civilian grades were broadly divided into 12 Qualification Groups (QGs), based on their minimum educational qualification and/or experience requirements. To ensure functional comparability, basic ranks in the civil service covered by the SSS were grouped into different Job Families (JFs), each represented jobs which were similar in functional principle, nature and practice.

2.9 The JF classification, together with the QG requirements, formed the basis for identifying comparable private sector jobs for analysis in the SSS. Only private sector entry-level jobs with similar educational qualification and/or experience requirements as a particular QG, and comparable in terms of functions to those identified under the JFs for that QG, were used for comparison.

Conduct of the 2012 SSS

2.10 In May 2012, the Commission appointed Aon Hewitt (the Consultant) to carry out the 2012 SSS, using 1 April 2012 as the reference date. The survey covered private sector pay for entry-level jobs with employees recruited during the period from 2 April 2011 to 1 April 2012. A total of 425 organisations were invited to participate in the survey. Of the organisations invited, a total of 142 private sector organisations provided data to the Consultant. After verification and vetting, 10 370 valid data points from 135 organisations were used for analysis. The number of participating

organisations and data points used in analysis increased significantly as compared with those of the 2009 SSS (i.e. 7 938 valid data points from 112 organisations). This had further improved the representativeness and credibility of the 2012 SSS.

2.11 The findings of the 2012 SSS showed that while the levels of civil service benchmark pay for most of the QGs closely reflected the market third quartile (P75) pay levels, the market P75 pay levels for QG 9 “Degree and Related Grades” and QG 10 “Model Scale 1 Grades” showed a larger deviation from the benchmark pay.

Principles and Considerations for Application

2.12 As with the 2009 SSS, the Commission adopted a holistic approach taking into account all relevant factors in formulating its recommendations for the application of survey findings, as opposed to a mechanical application of the findings. The principles and considerations which the Commission had taken into account were similar to those of the 2009 SSS, namely, “broad comparability” with the private sector from a longer-term perspective, nature of the SSS, attractiveness and stability of civil service pay, inherent differences between the civil service and private sector, inherent discrepancies in statistical surveys, and wider community interests.

Recommendations

2.13 The Commission submitted its Report No. 49 on the 2012 SSS to the Chief Executive on 18 December 2012. The Report is accessible at the Joint Secretariat’s website at <http://www.jsscs.gov.hk/reports/en/49/sssindex.html>. In summary, the Commission considered that, taking into account all relevant factors under the holistic approach, a positive message should be sent to the community and the findings should not be simply applied in a mechanical manner. The Commission therefore recommended that the civil service benchmark pay of QG 9 and QG 10 should not be reduced, and should remain unchanged, although the market P75 pay levels of these QGs were lower than the civil service benchmark pay by about \$2,000 and \$580 respectively. In respect of the benchmark pay of other QGs, as they closely reflected the respective market P75 pay levels, or through internal relativities, they should also remain unchanged.

2.14 Upon publication of our Report No. 49 on 18 December 2012, we issued a press release and conducted a briefing to the media to facilitate understanding of the recommendations in the Report. We also planned to meet with representatives from the EFHK, HKIHRM and HKPMA shortly thereafter to exchange views on the survey results and the Commission's considerations and recommendations.

Pay Level Survey

Mode of Operation

2.15 The PLS is an important component of the *Improved Mechanism* to ascertain whether civil service pay remains broadly comparable with private sector pay. The current PLS is the first time the Commission conducts a PLS under the *Improved Mechanism*. To take forward various aspects of the PLS, the Commission formed three core groups to focus on consultation with stakeholders, selection of consultant and the technical aspects of the survey.

2.16 As the Administration will separately consult the SCDS and the Standing Committee on Directorate Salaries and Conditions of Service (Directorate Committee) on the application of survey findings to the disciplined services and the directorate grades of the civil service respectively, the Commission has engaged the SCDS and the Directorate Committee by inviting them to each nominate a member as observer in the Commission's relevant proceedings. The SCDS nominated Professor Richard Ho, and the Directorate Committee nominated Mr Stanley Wong, JP, as the observers respectively.

Consultation with Stakeholders

2.17 The Commission firmly believes that staff consultation is crucial to the smooth conduct of the PLS. The Commission met with the Staff Sides of the four Central Consultative Councils and the four major service-wide staff unions at a consultation session on 12 April 2012 to exchange views on the broad framework of the PLS, including the 2006 PLS methodology (which would serve as the basis for review by the consultant) as well as the reference date, application issues, and future staff consultation arrangement for the PLS.

The Survey

2.18 In September 2012, the Commission appointed Aon Hewitt to undertake the consultancy for the PLS. Upon appointment, the Consultant started to formulate the detailed survey methodology for the PLS, using the methodology for the 2006 PLS as the basis for review. Among others, the views expressed during the consultation session held on 12 April 2012 would be suitably taken into account in mapping out the survey methodology for the PLS.

Next Steps

2.19 After the Consultant has proposed a detailed methodology for the PLS, the Commission will start to consult the Staff Sides and relevant stakeholders on the survey methodology in the first quarter of 2013. The Commission will also exchange views with professional human resources organisations on the survey methodology before conducting the fieldwork of the survey.

Chapter 3

Advice on Individual Submission, Informal Meetings with Civil Service Staff Bodies and Other Activities

3.1 During the year, the Administration invited us to advise on the proposed provision of paternity leave to government employees, which would cover non-directorate civilian grades of the civil service. The Commission also met with representatives of the major civil service staff bodies to keep abreast of issues of topical concern to staff. A brief account of these activities is summarised in the following paragraphs.

Provision of Paternity Leave to Non-Directorate Civilian Grades

Background

3.2 The former Chief Executive announced in the 2011-12 Policy Address that “Many developed countries provide paid paternity leave for employees to promote child-bearing and family-friendly practices. The Government will take the lead in promoting this good practice, beginning with a study into the provision of paid paternity leave for civil servants. In considering whether to make it a statutory requirement for all employers, we will have to carefully consider the actual circumstances in Hong Kong.” The Administration had looked into the provision of paid paternity leave⁴ for government employees.

The Administration’s Proposal

3.3 In January 2012, the Administration invited the Commission, amongst other advisory bodies, to advise on its proposal to provide paternity leave to government employees, with the Commission tendering its advice in respect of non-directorate civilian grades. Under the Administration’s

⁴ Generally speaking, paternity leave refers to leave taken by a father/father-to-be from his work around the time of the birth of his child. It is a family-friendly measure as it enables a working father/father-to-be to have some time off to take care of the newborn and his spouse before/after her confinement.

proposal, starting from 1 April 2012, all full-time male government employees who have no less than 40 weeks' continuous service immediately before the expected or actual date of childbirth within marriage would be eligible for paternity leave. Eligible officers would enjoy five working days of paternity leave on full-pay on each occasion of childbirth, irrespective of the place of childbirth, and with no limit on the number of childbirths. Such leave might be taken during the period from four weeks before the expected date of childbirth to eight weeks after the actual date of childbirth.

The Commission's Advice

3.4 The Commission considered the Administration's proposal at its meeting in January 2012. The Commission noted that the proposal was formulated in accordance with the 2011-12 Policy Address, with local and overseas practices and the views from staff and the Legislative Council solicited through consultation taken into account.

3.5 One of the main considerations in the Commission's previous deliberations on leave matters was to have due regard to private sector practices. We noted that, in drawing up the proposed duration of and eligibility criteria for the proposed paternity leave, the Administration made reference to, among others, the practices of organisations outside the Government which have already been offering paid paternity leave to their employees. The Commission also noted from the Administration's submission that the staffing implications arising from the proposal were negligible, and the financial implications were insignificant.

3.6 The Commission tendered advice to the Administration on 20 January 2012 (**Appendix D**), concluding that it supported the proposed provision of paternity leave to non-directorate civilian grades. The Commission considered that this would be a step forward in meeting present day needs to promote child-bearing and family-friendly practices, and would be conducive to enhancing staff morale.

3.7 The Administration announced on 28 March 2012 the provision of paternity leave to all government employees, including civil servants in the non-directorate civilian grades, with effect from 1 April 2012⁵.

⁵ The Administration's original proposal was to confine the provision of paternity leave only to cases of childbirth within marriage. Taking into account the views received during the consultation exercise, the Administration's scheme implemented as a start was that the Secretary for the Civil Service should have the discretion to grant paternity leave to eligible employees on the occasion of childbirth outside of marriage on a case-by-case basis.

Liaison with the Major Civil Service Staff Bodies

Background

3.8 Since 1992, the Commission has held regular informal meetings with the Staff Sides of the Senior Civil Service Council (SCSC) and the Model Scale 1 Staff Consultative Council, the two Central Consultative Councils of the Government in respect of the civilian grades. The Staff Side of the SCSC is made up of the Association of Expatriate Civil Servants of Hong Kong, the Hong Kong Chinese Civil Servants' Association and the Hong Kong Senior Government Officers Association. In order to canvass a wider spectrum of views, the Commission decided in 1996 to meet also three major confederation-type unions not represented on the SCSC, viz. the Government Employees Association, the Hong Kong Civil Servants General Union, and the Hong Kong Federation of Civil Service Unions. These meetings have proven to be very useful in keeping the Commission apprised of issues of topical concern to civil servants.

Major Development of Matters Discussed at Previous Meetings

3.9 As part of our follow-up actions after the last round of informal meetings, the Commission requested the Administration to advise on the actions taken in improving the provision of medical and dental benefits to civil service eligible persons (CSEPs). We were pleased to note that the Administration had continued to take improvement measures and allocate additional resources to improve the medical and dental benefits for CSEPs, and would continue to work closely with the relevant parties to make further improvements.

2012 Round of Informal Meetings

3.10 The Commission continued to maintain liaison with civil service staff bodies through informal meetings. At these meetings, we exchanged views with the staff bodies on, among others, the 2012 SSS and the PLS, the provision of medical and dental benefits, the provision of paternity leave to government employees, conditioned hours of work, implementation of five-day week, retirement age and succession in the civil service, post-service employment of directorate civil servants and other issues related to staff morale and civil service manpower. While recognising that the Administration had endeavoured to improve medical and dental benefits to

CSEPs in the past years, the staff representatives put forward ideas on how the existing level of service could be further improved.

3.11 We found the exchange of views with the staff bodies very useful. Their views will be conveyed to the Administration for consideration and follow-up as appropriate.

Liaison with External Stakeholders

3.12 In the course of the year, the Commission and the Joint Secretariat maintained close contact with major interested private sector organisations to keep track of developments in the private sector and exchange views on civil service pay, conditions of service and pay surveys.

Chapter 4

Pay Trend Survey System

4.1 The Pay Trend Survey (PTS) system aims to ascertain the year-on-year average movements in private sector pay. In accordance with the recommendations of a Committee of Inquiry in 1988, the Administration deducts the value of civil service increments at their payroll cost in the relevant year (expressed as a percentage of the total payroll cost for each salary band) from the gross pay trend indicators (PTIs) to produce the net PTIs. Having regard to the net PTIs derived from the PTSs and other pertinent considerations, namely, the state of the economy of Hong Kong, the Government's fiscal position, changes in the cost of living, pay claims of the Staff Sides and civil service morale, the Chief Executive-in-Council decides on the specific rates of adjustment for civil service pay.

Pay Trend Survey Committee

4.2 The Pay Trend Survey Committee (PTSC) is an independent committee established by the Administration on the Standing Commission's advice in 1983. Its Chairman and Alternate Chairman are nominated from Members of the Commission. The PTSC also comprises representatives of the Standing Committee on Disciplined Services Salaries and Conditions of Service, the Administration and the Staff Sides. Its composition is at **Appendix E**.

4.3 Ms Virginia Choi, JP had been the Chairman of the PTSC since January 2008. In August 2012, Mr Wilfred Wong Kam-pui took over from Ms Choi as the PTSC Chairman, following the latter's retirement from the Commission. The Hon Barry Cheung, GBS, JP has been the PTSC Alternate Chairman since January 2008, except for the period from January to March 2012 during which Miss Elaine Chan served as the PTSC Alternate Chairman. Dr Carrie Willis, SBS, JP would succeed Mr Cheung as the Alternate Chairman of the PTSC with effect from 1 January 2013 following his resignation from the Commission. We would like to take this opportunity to thank Ms Choi, Mr Cheung and Miss Chan for their valuable contributions to the work of the PTSC.

4.4 The main function of the PTSC is to commission the annual PTS, analyse the results of the survey, ensure that the agreed criteria for the interpretation of the data collected have been properly applied and agree on its results. The PTSC is the only and final authority for the conduct of the PTS. Once the findings of a PTS have been agreed, neither the PTSC nor the Commission is involved in any way in subsequent discussions between the Administration and the Staff Sides on any pay adjustment based on the survey results. The PTSC held six meetings in 2012.

4.5 In tendering advice to the Administration on the methodology for the PTS, the Standing Commission will, as prescribed by its terms of reference, have regard to the recommendations of the PTSC.

Pay Survey and Research Unit

4.6 The fieldwork of the PTS is conducted by the Pay Survey and Research Unit (PSRU), which is an independent unit under the Joint Secretariat. The PSRU collects information from companies/organisations in the survey field as approved by the PTSC on changes in basic salaries and additional payments relating to cost of living, general prosperity and company performance, general changes in market rates, inscale increments and merit during the survey period. These data are analysed to produce gross PTIs for three different salary bands. The findings are then presented to the PTSC for validation and agreement.

The Improved Methodology of the Pay Trend Survey

4.7 Starting from 2007, the PTS has adopted an improved methodology as approved by the Chief Executive-in-Council in March 2007. Under the improved methodology, the survey field is broadened to cover larger companies (with 100 or more employees) and smaller companies (with 50 to 99 employees) in order to enhance the representativeness and credibility of the PTS. To complement the broadening of survey field, the data consolidation method is modified to ensure that the data from smaller companies with 50 to 99 employees are suitably represented.

4.8 Since the 2008 PTS, a technical refinement in data collection has been adopted to facilitate future assessment on the feasibility of aligning the methodologies for the Pay Level Survey (PLS) and the PTS. Under the arrangement, five salary bands as adapted from the PLS are used for data collection, while maintaining the existing three-band system for data consolidation and calculation of PTIs.

4.9 In the 2012 PTS, an exclusion category was added to exclude employees affected by Statutory Minimum Wage (SMW), which came into effect on 1 May 2011.

The 2012 Pay Trend Survey

4.10 The 2012 PTS, commissioned by the PTSC in February 2012, was conducted between February and May 2012. It followed the improved PTS methodology with the technical refinement in data collection and the addition of an exclusion category to exclude employees affected by SMW.

4.11 A total of 112 companies, comprising 84 larger companies (75%) and 28 smaller companies (25%), participated in the 2012 PTS. The PSRU collected information on pay adjustments in these 112 companies (comprising 182 009 employees) over the 12-month period from 2 April 2011 to 1 April 2012 and analysed the data in accordance with the improved methodology. The survey findings were released on 15 May 2012 and considered and validated by the PTSC on 22 May 2012. A summary of the results of the survey is at **Appendix F**.

4.12 With the approval of the Chief Executive-in-Council in June 2012 and the funding support of the Finance Committee of the Legislative Council in July 2012, the 2012-13 civil service pay adjustment took retrospective effect from 1 April 2012. The approved salary increases were 5.26% for the civil servants in the upper salary band and 5.80% for those in the middle/lower salary bands. The revised pay scales relevant to the Commission's purview are shown at **Appendix G**.

Review of Survey Methodology

4.13 It has been an established practice for the PTSC, as assisted by the PSRU, to conduct a review of the PTS methodology and submit its recommendations to the Standing Commission before the conduct of the next PTS. This year, the PTSC, amongst others, reviewed whether a lower bound on the basis of monthly salary should be set for the lower salary band to exclude employees affected by SMW in the light of the experience gained in the 2012 PTS, and also considered how to deal with new recruits not awarded pay adjustment due to the policy of individual companies. The PTSC completed the review and submitted its recommendations to the Commission in November 2012. A summary of the PTSC's key recommendations is at **Appendix H**.

4.14 The PTSC's considerations and recommendations on these two issues are summarised in paragraphs 4.15 to 4.17 below.

Statutory Minimum Wage

4.15 In the 2012 PTS, the PTSC agreed to exclude all data points affected by SMW by excluding employees earning SMW. The PTSC has reviewed the position having regard to the experience gained and information collected in the 2012 PTS. Taking into account the relatively small number of SMW-affected employees in the 2012 PTS; the great variation in their monthly salaries due to various factors such as the difference in the number of working days, working hours and different practices as to whether meal breaks and rest days were paid; the resulting difficulties in coming up with assumptions that are credible and widely acceptable to set a lower bound on the basis of monthly salary, and the experience gained from the 2012 PTS, the PTSC recommended continuing the approach adopted in the 2012 PTS for the 2013 PTS, and further reviewing the approach after the completion of the 2013 PTS.

New Recruits

4.16 New recruits are currently included in the PTS for the calculation of PTIs. The PTSC noted that some of the new recruits with less than one year's service were not awarded pay adjustment during the year due to company policy. Under the PTS methodology, only adjustment of basic salary made on account of the five pay-trend-related factors (i.e. cost of

living; general prosperity and company performance; general changes in market rates; and inscale increment and merit) should be included in the calculation of PTIs. Given that the freeze in pay adjustment for some new recruits was due to company policy rather than the pay-trend-related factors, it would be justifiable in principle to exclude new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy. This was also found to be consistent with the professional practice.

4.17 At the same time, the PTSC noted that if the practice of excluding these new recruits is adopted, factors such as the data points that would be lost, and the extent and distribution of such data, were not clear at this stage, and that any change in practice should be a long-term one to maintain consistency and uphold credibility of the PTS. The PTSC recommended a prudent approach of maintaining the status quo for the 2013 PTS, i.e. new recruits should continue to be included in the survey, while requesting participating companies to provide more detailed information on new recruits to facilitate a review to be conducted after the completion of the 2013 PTS.

Conclusion

4.18 Overall speaking, the PTSC continued to be generally satisfied with the existing methodology, and recommended the continued adoption of the methodology and practice of the 2012 PTS for the 2013 PTS.

The Commission's Views on the Review of PTS Methodology

4.19 The Commission considered the PTSC's recommendations at its meeting in December 2012. We supported the PTSC's recommendation that the methodology and practice of the 2012 PTS should continue to be adopted for the 2013 PTS, and also supported the PTSC's continued efforts to keep under review the various aspects of the methodology. A copy of our letter dated 14 December 2012 tendering advice to the Administration on the review of the PTS methodology is at **Appendix I**.

Chapter 5

Future Programme of Work

5.1 As mentioned in Chapter 2, the Commission accepted the Administration's invitation to conduct the Pay Level Survey in early 2012. Our efforts in 2013 will mainly focus on this survey, including, among others, working out its work plan, deliberating on the survey methodology, engaging the Staff Sides and relevant stakeholders in various stages of the Pay Level Survey, and monitoring the progress of the pay comparison survey conducted by the Consultant, as appropriate.

5.2 We shall continue to carry out our responsibilities under the Commission's terms of reference and tender advice on any proposals from the Administration for changes to the pay and conditions of service for individual grades or for the civil service as a whole. We shall also keep the methodology of the Pay Trend Survey under review to ensure that the data collected are as credible as possible.

5.3 As in the past, we shall maintain our contact with the major civil service staff bodies and interested private sector organisations to ensure that we keep abreast of developments relating to the discharge of our duties and responsibilities.

Standing Commission on Civil Service Salaries and Conditions of Service

Terms of Reference

I. To advise and make recommendations to the Chief Executive in respect of the non-directorate civil service, other than judicial officers and disciplined services staff, on :

- (a) the principles and practices governing grade, rank and salary structure;
- (b) the salary and structure of individual grades;
- (c) whether overall reviews of pay scales (as opposed to reviews of the salary of individual grades) should continue to be based on surveys of pay trends in the private sector conducted by the Pay Survey and Research Unit, or whether some other mechanisms should be substituted;
- (d) the methodology for surveys of pay trends in the private sector conducted by the Pay Survey and Research Unit, subject to advice under I(c) and having regard to the advice of the Pay Trend Survey Committee;
- (e) matters relating to those benefits, other than salary, which the Commission advises as being relevant to the determination of the civil service remuneration package, including the introduction of new benefits or proposed changes to existing benefits;
- (f) suitable procedures and machinery to enable staff associations and staff to discuss with management their views on matters within the terms of reference of the Commission;
- (g) the circumstances in which it would be appropriate for the Commission itself to consider any issue, and how staff associations and management might present their views to the Commission in such circumstances; and
- (h) such matters as the Chief Executive may refer to the Commission.

II. The Commission shall keep the matters within its terms of reference under continuing review, and recommend to the Chief Executive any necessary changes.

III. The Commission shall give due weight to any wider community interest, including financial and economic considerations, which in its view are relevant.

IV. The Commission shall give due weight to the need for good staff relations within the Civil Service, and in tendering its advice shall be free to make any recommendations which would contribute to this end.

V. In considering its recommendations and advice, the Commission shall not prejudice the 1968 Agreement between the Government of the Hong Kong Special Administrative Region and the Main Staff Associations (1998 Adapted Version).

VI. The staff associations making up the Staff Side of the Senior Civil Service Council and the Model Scale 1 Staff Consultative Council may jointly or individually refer matters relating to civil service salaries or conditions of service to the Commission.

VII. The heads of departments may refer matters relating to the structure, salaries or conditions of service of individual grades to the Commission.

VIII. The Commission shall not consider cases of individual officers.

IX. The Commission may wish to consider in the light of experience whether changes in its composition or role are desirable.

X. In carrying out its terms of reference, the Commission should ensure that adequate opportunities are provided for staff associations and management to express their views. The Commission may also receive views from other bodies which in its view have a direct interest.

Membership of the Commission in 2012

Chairman

Mr Nicky Lo Kar-chun, SBS, JP (until 31 July 2012)

Mr Wilfred Wong Ying-wai, SBS, JP (since 1 August 2012)

Members

Mr Owen Chan Shui-shing, JP

Miss Elaine Chan Wing-yi

The Honourable Barry Cheung Chun-yuen, GBS, JP

Ms Virginia Choi Wai-kam, JP (until 31 July 2012)

Dr Miranda Chung Chan Lai-foon

The Honourable Jeffrey Lam Kin-fung, GBS, JP

Mr Pang Yiu-kai, SBS, JP

Professor Suen Wing-chuen

Dr Carrie Willis Yau Sheung-mui, SBS, JP (since 1 August 2012)

Mr Wilfred Wong Kam-pui

公務員薪俸及服務條件常務委員會
Standing Commission on Civil Service Salaries and Conditions of Service

本會檔號 Our Ref. :

尊函檔號 Your Ref. :

電 話 Tel. :

20 January 2012

Miss Denise Yue, GBS, JP
Secretary for the Civil Service
9th Floor, West Wing
Central Government Offices
2 Tim Mei Avenue
Tamar
Hong Kong

Dear Denise,

Pay Level Survey and Starting Salaries Survey

Thank you for your letters on 11 November 2011 and 13 December 2011, inviting the Standing Commission (SC) to conduct the Pay Level Survey (PLS) and Starting Salaries Survey (SSS), and to recommend how the findings of these two surveys should be applied to non-directorate civilian grades in the civil service.

2. I am pleased to advise that the SC agreed at its meeting on 12 January 2012 to conduct the 2012 SSS with target reference date at 1 April 2012. The SC also agreed to conduct, as a separate exercise, the next PLS with a reference date to be determined at a later date. On behalf of the SC, I set out below details on the key issues we consider relevant to the 2012 SSS and the next PLS, and our views and recommendations on these matters.

Conducting the 2012 SSS and the Next PLS Separately

3. The SC notes that, of the three different types of surveys under the Improved Civil Service Pay Adjustment Mechanism, the PLS is the

most complex and has the widest scope and impact on the civil service. The next PLS therefore would be a much more complicated exercise, and as compared to the SSS, would require a much longer time to complete. This is consistent with experience in conducting PLS and SSS on prior occasions.

4. In the light of the above, the SC has reached the view that the 2012 SSS and the next PLS should be delinked, and the two surveys should be conducted separately according to two different reference dates (see paragraphs 6 and 10 below). In fact, the SC does not see any principled reason for conducting the SSS and PLS together with the same reference date. By delinking, the relatively straight-forward SSS would be able to progress in its own course without being unduly held up by the much more complicated PLS.

2012 Starting Salaries Survey

5. The SC has noted that the SC's recommendations on application in the 2009 SSS were implemented in full by the Administration. The SC considers that the methodology and practices adopted in the 2009 SSS, which were generally accepted by stakeholders, should by and large continue to be adopted for the 2012 SSS. These include, among others, the educational qualification method supplemented by a job family classification, the approach for staff consultation, the setting up of core groups within SC to oversee different aspects of the survey, and the holistic approach for the application of the survey results.

6. As in the 2009 SSS, the SC will commission an outside consultant to conduct a pay comparison survey, using the Administration's preferred reference date of 1 April 2012. We target to submit the survey findings and the SC's report to the Administration by end 2012.

Next Pay Level Survey

7. As regards the next PLS, the SC will also commission an outside consultant to, among others, offer professional advice on the PLS, propose the methodology for the next PLS and conduct the pay

comparison survey. Following the delinking of the PLS and SSS, we will consider two separate consultancies for the two separate surveys respectively.

8. The SC notes that whilst the Administration's preferred reference date for the PLS is also 1 April 2012, it appreciates that the SC must have sufficient time to undertake the necessary preparatory work, engage with the staff representatives and conduct the survey. The Administration hence would leave it to the SC to decide on the reference date of the next PLS.

9. In considering this, the SC considers it important to shorten the time lag between the survey reference date and the submission of the SC's recommendations to the Administration. The SC's preliminary view is that the survey reference date should be set with a view to enabling the SC to submit its PLS report to the Administration at least within one year from the reference date.

10. Given the complexities of the PLS, the SC considers that it is most unlikely that the next PLS can be completed within one year from 1 April 2012. The SC accepts that, as a start, the methodology for the 2006 PLS may form the basis for review by the consultant to be appointed for the PLS and in the initial round of consultation with staff representatives and other stakeholders. However, the SC considers that after consultation, it will be necessary to determine whether, and if so how, the survey framework and methodology may need to be updated for the purpose of the next PLS. The list of survey companies, benchmark jobs and job descriptions will also need to be updated given the lapse of time. Overall, the SC considers it unrealistic to use 1 April 2012 as the reference date for the next PLS. It would be more prudent to determine the appropriate reference date for the next PLS nearer the time of commencement of fieldwork.

11. The SC notes that the general framework and application principles for future PLS as set out in your letters are provided for reference only, and the Administration considers that the SC should decide on the methodology and application of the next PLS. We will further map out the methodology and application principles for the next PLS in the course of the process, having regard to, among others, the professional

views of the consultant, the Staff Sides and other relevant stakeholders.

Consultation with Stakeholders

12. The SC fully agrees with the importance of consultation with relevant stakeholders, including staff representatives and other stakeholders. We note the wish of the Staff Sides for close consultation by the SC during the preparation and throughout the conduct of the two surveys.

13. For the 2012 SSS, the SC will follow the consultation arrangements adopted for the 2009 SSS, and consult the Staff Sides of the four Central Consultative Councils and the four major service-wide staff unions in three stages, i.e. (i) the proposed broad framework of methodology for the pay comparison survey, (ii) the key aspects of the methodology of the pay comparison survey, and (iii) the principles and considerations for the application of the results of the pay comparison survey. In the course of the 2012 SSS, SC will also liaise with relevant external stakeholders including human resources institutes as appropriate.

14. As regards the next PLS, the SC plans to conduct consultation sessions, separate from those for the 2012 SSS, for the Staff Sides at the three key stages similar to the SSS. We will also suitably involve other stakeholders, including grade and departmental management as well as human resources institutes etc. in due course.

15. Whilst the SC plans to consult all stakeholders extensively at various stages for both surveys, these surveys will be conducted by the SC and its appointed consultants independently to ensure their credibility.

16. We understand that the Administration will separately consult the Standing Committee on Disciplined Services Salaries and Conditions of Service (SCDS) and the Standing Committee on Directorate Salaries and Conditions of Service (DC) on the application of survey findings to the disciplined services and directorate grades of the civil service respectively. We will engage the SCDS and DC by inviting them to each nominate a member to join the SC's relevant proceedings.

Application

17. The SC will examine application issues at a later stage of the two surveys. Initially, the SC considers that for both surveys, a holistic approach, taking into account, among others, a number of principles and considerations including the inherent differences between the civil service and private sector, the importance of maintaining the stability of the civil service, the views of relevant stakeholders and other relevant factors, as against mechanical application of findings, should be adopted for the 2012 SSS and the next PLS. The SC will review all options and make appropriate recommendations in due course.

Next Steps

18. Subject to your views on the above, the SC will embark on the SSS and PLS separately. We look forward to receiving your early views on our proposed approach before proceeding with our next steps.

*Yours sincerely
Nicky*

(Nicky Lo Kar-chun)
Chairman

公務員薪俸及服務條件常務委員會

Standing Commission on Civil Service Salaries and Conditions of Service

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20 January 2012

Miss Denise Yue, GBS, JP
Secretary for the Civil Service
9th Floor, West Wing
Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Denise,

**Provision of Paternity Leave to
Non-directorate Civilian Grades in the Civil Service**

The Standing Commission (SC) has considered the Civil Service Bureau (CSB)'s proposal for the provision of paternity leave to government employees. In accordance with the SC's terms of reference, I am writing to tender our advice on the proposal in respect of non-directorate civilian grades.

The CSB's Proposal

2. The SC notes that the CSB's proposed provision of paternity leave to government employee is formulated in accordance with the Chief Executive's 2011-12 Policy Address that the Government will take the lead in promoting the good practice of providing paid paternity leave for employees to promote child-bearing and family friendly practices. Having looked into local and overseas practices and conducted consultation with staff and the Legislative Council Panel on Public Service, the CSB has proposed the following broad framework for the provision of paternity leave to government employees –

- (a) paternity leave should be on full-pay basis;
- (b) all government employees, including civil servants, political appointees, judges and judicial officers, non-civil service contract staff, etc., who meet the specified criteria should be eligible for paternity leave; and
- (c) paternity leave should be provided on the occasion of each childbirth within marriage.

3. The SC also notes that the CSB has adopted the guiding principle that an appropriate balance should be struck between the benefits of paternity leave on the one hand and the prudent use of public funds on the other in drawing up the proposal, with the following key features –

Key Features	CSB's Proposal
(a) Duration:	✧ Five working days.
(b) Eligibility:	<ul style="list-style-type: none"> ✧ Full-time male government employees (including non-directorate civilians) with not less than 40 weeks' continuous service immediately before the expected or actual date of childbirth within marriage; and ✧ Irrespective of the place of childbirth and no limit on the number of childbirths.
(c) Period for taking:	✧ Four weeks before the expected date of childbirth to eight week after the actual date of childbirth.

The Commission's Views

General

4. The SC supports the proposed provision of paternity leave to non-directorate civilian grades. Our considerations are set out in paragraphs 5 to 9 below.

Broad Comparability with Private Sector

5. One of the main considerations in the SC's previous deliberations on leave matters is to have due regard to private sector practices. While in the present case, the Government is to take the lead in promoting the good practice of providing paternity leave, we note that, in drawing up the proposed

duration of and eligibility criteria for the proposed paternity leave, the CSB has made reference to, among others, the practices of organisations outside Government which have already been offering paid paternity leave to their employees.

Eligibility Criteria

6. The SC supports the proposed eligibility criteria for the proposed paternity leave for government employees. Among others, we share the view that paternity leave for government employees should be granted in respect of children born within marriage. This is conducive to the furtherance of harmonious family relationship and upholding traditional family and social values.

Simple Leave Administration System

7. In line with our previous deliberations on leave matters, we welcome any attempt to simplify the administration of leave. Under the CSB's proposal, paternity leave should be taken by an eligible government employee during the period from four weeks before the expected date of childbirth to eight weeks after the actual date of childbirth; and any untaken paternity leave after the specified period should not be allowed to carry forward to a future childbirth. The SC supports this proposed arrangement as it would avoid accumulation of any untaken leave over a long period of time and is conducive to a simple leave administration system.

8. The SC notes that some employees might take the five-day paternity leave in one go, and some might take separate portions during the specified period. The SC considers that whilst it is important to provide sufficient flexibility to cater for the individual circumstances of the employees concerned, it is also important to ensure that the operational needs of the departments they serve could be met. We believe that this could be achieved by good forward planning in implementation.

Resource Implications

9. The SC notes that, on average, a male civil servant with children is reported to have 1.6 children. According to the CSB, the staffing implications arising from the proposal are negligible, and the financial implications insignificant.

Conclusion

10. In conclusion, the SC supports the proposed provision of paternity leave to non-directorate civilian grades. It is a step forward in meeting present day needs to promote child-bearing and family friendly practices, and is conducive to enhancing staff morale.

*Yours sincerely
Nicky*

(Nicky Lo Kar-chun)
Chairman

Composition of the Pay Trend Survey Committee

Members

Two Members of the Standing Commission on Civil Service Salaries and Conditions of Service, one as Chairman and the other as Alternate Chairman

Up to two Representatives of the Standing Committee on Disciplined Services Salaries and Conditions of Service

Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service

Two Representatives of the Administration

Three Staff Side Representatives of the Senior Civil Service Council

Three Staff Side Representatives of the Model Scale 1 Staff Consultative Council

Two Staff Side Representatives of the Police Force Council

Two Staff Side Representatives of the Disciplined Services Consultative Council

Observers

Three Staff Side Representatives of the Senior Civil Service Council

Three Staff Side Representatives of the Model Scale 1 Staff Consultative Council

A Management Side and two Staff Side Representatives of the Police Force Council

Three Staff Side Representatives of the Disciplined Services Consultative Council

Summary of the 2012 Pay Trend Survey

Introduction

Pay Trend Surveys (PTSs) yield information on the general movements of pay in the private sector over a given period. They are not concerned with the comparison of pay levels for specific occupational groups. Prior to 1983, PTSs were undertaken by the then Pay Investigation Unit, under the auspices of a Steering Committee of the Senior Civil Service Council. The Pay Survey and Research Unit (PSRU) was established in December 1982 and the Pay Trend Survey Committee (PTSC) shortly after. The 2012 PTS was the 35th of its kind.

Survey Period

2. The survey covered a 12-month period from 2 April 2011 to 1 April 2012.

Participating Companies

3. A total of 112 companies took part in the survey including 84 larger companies (with 100 or more employees) and 28 smaller companies (with 50 to 99 employees) in the ratio of 75 : 25. The pay data of their 182 009 employees were used in the calculation of the 2012 gross pay trend indicators (PTIs).

Data Collection

4. Following the adoption of a technical refinement to the improved methodology for the PTSs (the methodology was endorsed by the Chief Executive-in-Council in March 2007), data collection in the 2012 PTS was based on five salary bands by subdividing the middle and upper salary bands into two bands while keeping the lower salary band intact. The classification was as follows –

(a)	<u>Lower Salary Band</u> (below MPS ¹ Point 10)	below \$16,855 per month
(b)	<u>Middle Salary Band (I)</u> (MPS Points 10 to 23)	\$16,855 – \$32,680 per month
(c)	<u>Middle Salary Band (II)</u> (Above MPS Point 23 to Point 33)	\$32,681 – \$51,670 per month
(d)	<u>Upper Salary Band (I)</u> (Above MPS Point 33 to Point 44)	\$51,671 – \$80,080 per month
(e)	<u>Upper Salary Band (II)</u> (Above MPS Point 44 to GDS(O) ¹ Point 39)	\$80,081 – \$103,900 per month

5. Data collection commenced in February 2012 and ended in May 2012. Questionnaires with guidance notes were sent to participating companies for completion. The staff of the PSRU followed up by field visits or telephone discussions. The companies were asked to provide data on changes in basic salaries and additional payments other than those relating to fringe benefits.

6. Information collected for the survey was recorded in individual company statements, after their accuracy had been confirmed by the company concerned. Strict confidentiality was observed in the handling of company data which were made non-attributable in survey reports, so as to preserve the anonymity of the participating companies.

Survey Findings

7. The PSRU analysed the company data in accordance with the approved methodology and presented its findings to the PTSC on 15 May 2012.

8. The PTSC validated the survey findings on 22 May 2012. Taking into account only those adjustments which related to the cost of living,

¹ MPS denotes Master Pay Scale; GDS(O) denotes General Disciplined Services (Officer) Pay Scale.

general prosperity and company performance, general changes in market rates, inscale increment and merit, the following pay adjustments had been made in the surveyed companies during the period from 2 April 2011 to 1 April 2012 –

(a)	Lower Salary Band (below \$16,855 per month)	+ 5.71%
(b)	Middle Salary Band (\$16,855 to \$51,670 per month)	+ 6.64%
(c)	Upper Salary Band (\$51,671 to \$103,900 per month)	+ 6.01%

Pay Trend Indicators

9. The findings of the PTSs were known as the gross PTIs. In accordance with the recommendations of a Committee of Inquiry in 1988, the Administration, after deducting the value of civil service increments at their payroll cost, which were 1.15%, 0.84% and 0.75% respectively for the lower, middle and upper salary bands in 2012, arrived at the net PTIs as follows –

(a)	Lower Salary Band	+ 4.56%
(b)	Middle Salary Band	+ 5.80%
(c)	Upper Salary Band	+ 5.26%

**Civil Service Pay Scales Relevant to the Commission’s Purview
(with effect from 1 April 2012)**

<u>Master Pay Scale</u>		<u>Model Scale 1 Pay Scale</u>		<u>Craft Apprentice Pay Scale</u>	
<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>
49	100,625	13	13,225	4	9,005
48	97,130	12	12,965	3	8,255
47	93,760	11	12,695	2	7,460
46 (44B)	90,465	10	12,450	1	6,710
45 (44A)	87,340	9	12,205	0	6,330
44	84,290	8	11,975		
43	81,360	7	11,745		
42	78,010	6	11,520		
41	74,785	5	11,285		
40	71,695	4	11,060		
39	68,735	3	10,825		
38	65,695	2	10,600		
37	62,810	1	10,370		
36 (33C)	59,970	0	10,155		
35 (33B)	57,315				
34 (33A)	55,850				
33	54,665				
32	52,220				
31	49,870				
30	47,630				
29	45,505				
28	43,450				
27	41,495				
26	39,640				
25	37,860				
24	36,205				
23	34,575				
22	33,020				
21	31,525				
20	30,025				
19	28,600				
18	27,245				
17	25,965				
16	24,715				
15	23,530				
14	22,405				
13	21,330				
12	20,115				
11	18,935				
10	17,835				
9	16,825				
8	15,805				
7	14,825				
6	13,910				
5	13,085				
4	12,260				
3	11,520				
2	10,810				
1	10,160				
0	9,555				

<u>Training Pay Scale</u>		<u>Technician Apprentice Pay Scale</u>	
<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>
16	23,470	4	11,390
15	22,350	3	10,385
14	21,275	2	9,385
13	20,345	1	8,635
12	19,100	0	8,100
11	17,525		
10	16,090		
9	15,155		
8	14,220		
7	13,355		
6	12,545		
5	11,760		
4	11,050		
3	10,385		
2	9,730		
1	9,150		

Summary of the Pay Trend Survey Committee's Recommendations on the Review of the Methodology of the Pay Trend Survey

A. Methodology

Statutory Minimum Wage (SMW)

- (a) The approach adopted in the 2012 Pay Trend Survey (PTS) to exclude employees affected by SMW by excluding those earning SMW should be maintained.

Survey Field

- (b) The status quo, i.e. continuing to include smaller companies (with 50 to 99 employees) in the survey field, and maintaining the ratio of 75 : 25 between the number of larger (with 100 or more employees) and smaller participating companies with a flexibility of deviation of plus or minus 5 percentage points, should be maintained.

Salary Bands

- (c) The technical arrangement to collect data based on five salary bands, while consolidating data and calculating the pay trend indicators (PTIs) based on three salary bands, should continue.

New Recruits

- (d) New recruits should continue to be included in the 2013 PTS and relevant information and data on new recruits would be collected for review next year.

Calculation Criteria – Internal Relativities / External Relativities (IR/ER)

- (e) IR/ER adjustments should continue to be excluded from the calculation of PTIs.

B. Operational Measures

- (a) New Recruits – participating companies would be requested to provide more detailed information in relation to new recruits in the context of the 2013 PTS to facilitate a review to be conducted after the completion of the 2013 PTS.
- (b) IR/ER – IR/ER issues would continue to be monitored and additional information would be obtained from the company which awards IR/ER adjustments to 30% or more of its employees, or conducts IR/ER exercises consecutively in three or more PTSs.
- (c) Questionnaire – Data Submission by Companies – companies would continue to be urged to provide breakdown of pay data by employee category and salary band, and clarifications would be sought as necessary. Information on companies reporting average figures of all employees for additional payments would be provided to the Pay Trend Survey Committee (PTSC).
- (d) Opening and Transposing of Questionnaire Raw Data – the status quo should be maintained and information would continue to be provided to enhance transparency of the process in order to facilitate PTSC Members’ consideration of the survey findings, and the PTS process would be kept under review for further improvements.

公務員薪俸及服務條件常務委員會
Standing Commission on Civil Service Salaries and Conditions of Service

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14 December 2012

Mr Tang Kwok-wai, Paul, JP
Secretary for the Civil Service
9th Floor, West Wing
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2 Tim Mei Avenue, Tamar
Hong Kong

Dear Paul,

Review of the Methodology of the Pay Trend Survey

I am writing on behalf of the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) to offer our advice, under Clause I(d) of our terms of reference, on the methodology of the Pay Trend Survey (PTS).

Background

2. Since 2007, the conduct of the PTS has been based on the improved methodology as approved by the Chief Executive-in-Council in March 2007. A technical refinement was introduced in the 2008 PTS to facilitate assessment on the feasibility of aligning the methodologies of the PTS and the Pay Level Survey (PLS). Under the arrangement, five salary bands as adapted from the PLS are used for data collection while maintaining three salary bands for data consolidation and calculation of the Pay Trend Indicators (PTIs). In the 2012 PTS, an exclusion category was added to exclude employees affected by Statutory Minimum Wage (SMW).

Current Review

3. In keeping with the established practice, the Pay Trend Survey Committee (PTSC) has conducted a review of the PTS methodology after the completion of the 2012 PTS and submitted a report to the Standing Commission. This year, apart from the general items of review covered in past years, the PTSC has also considered whether a lower bound on the basis of monthly salary should be set for the lower salary band (LB) to exclude employees affected by SMW, and how to deal with new recruits not awarded pay adjustment due to the policy of individual companies.

Overall Comments

4. Overall speaking, the PTSC continues to be generally satisfied with the existing methodology, and has recommended the continued adoption of the methodology and practice of the 2012 PTS for the 2013 PTS.

5. The Standing Commission considered the PTSC's recommendations at its meeting held on 4 December 2012. The Standing Commission supported the PTSC's recommendation that the methodology and practice of the 2012 PTS should continue to be adopted for the 2013 PTS. The recommendations and considerations are summarised in the ensuing paragraphs.

Statutory Minimum Wage

6. As stated in our letter of 30 December 2011 on the review of the PTS methodology last year, on how to deal with SMW in the 2012 PTS, while the PTSC agreed in principle that SMW adjustments should be excluded, no consensus was reached in PTSC on two possible options, i.e. setting of a lower bound on monthly salaries for LB, or excluding data points earning SMW. We took the view that for the 2012 PTS, it would be prudent to continue with the existing PTS methodology, but to exclude data points affected by SMW adjustment, and that the PTSC should further consider setting a lower bound for LB upon completion of the 2012 PTS, having regard to the experience gained and the additional information collected from surveyed companies.

7. In the light of the SC's advice, the PTSC agreed to exclude all data points affected by SMW by excluding employees earning SMW for the 2012 PTS. The PTSC has reviewed the position having regard to the experience gained and information collected in the 2012 PTS. Taking into account the relatively small number (4,635) of SMW-affected employees in the 2012 PTS; the great variation in their monthly salaries due to various factors such as the difference in the number of working days, working hours and different practices as to whether meal breaks and rest days were paid; the resulting difficulties in coming up with assumptions that are credible and widely acceptable to set a lower bound on the basis of monthly salary, and the experience gained from the 2012 PTS, we support the PTSC's recommendation to continue with the approach adopted in the 2012 PTS for the 2013 PTS, and to further review the approach after the completion of the 2013 PTS.

Survey Field – Representativeness of Smaller Companies

8. The 2012 PTS was the sixth year that smaller companies (with 50 to 99 employees) were included in the survey field, alongside with those larger companies (with 100 or more employees), in the ratio of 25 : 75, with the flexibility of a deviation of around plus/minus 5 percentage points. The inclusion of smaller companies has enhanced the credibility and representativeness of the PTS. We support the PTSC's recommendation to maintain the status quo. We understand that the PTSC would keep the situation on the inclusion of smaller companies in the survey field under monitoring.

Salary Bands

9. We note that while it is technically feasible to collect data by five salary bands, there are constraints in achieving a greater number of data points for certain salary bands due to the relatively small number of employees from these bands. We support the PTSC's recommendation to continue with the status quo for the 2013 PTS, i.e. to collect data for both three and five salary bands based on the existing demarcation, and consolidating data for PTI calculation based on three salary bands.

New Recruits

10. New recruits are currently included in the PTS for the calculation of PTIs. The PTSC noted that some of the new recruits with less than one year's service were not awarded pay adjustment during the year due to company policy. Under the PTS methodology, only adjustment of basic salary made on account of the five pay-trend-related factors (i.e. cost of living; general prosperity and company performance; general changes in market rates; and inscale increment and merit) should be included in the calculation of PTIs. Given that the freeze in pay adjustment for some new recruits was due to company policy rather than the pay-trend-related factors, it would be justifiable in principle to exclude new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy. This was also found to be consistent with the professional practice. At the same time, the PTSC noted that if the practice of excluding these new recruits is adopted, factors such as the data points that would be lost, and the extent and distribution of such data, are not clear at this stage, and that any change in practice should be a long-term one to maintain consistency and uphold credibility of the PTS.

11. On the basis of the above, the Standing Commission support the PTSC's recommendation to adopt a prudent approach of maintaining the status quo for the 2013 PTS, i.e. new recruits should continue to be included in the 2013 PTS while requesting participating companies to provide more detailed information on new recruits to facilitate a review to be conducted after the completion of the 2013 PTS.

Calculation Criteria – Internal Relativities / External Relativities (IR/ER)

12. We support the PTSC's recommendation that IR/ER adjustments should continue to be excluded from the calculation of PTIs. Operationally, we understand that the PTSC will continue to monitor IR/ER issues and obtain additional information from the company which awards IR/ER adjustments to 30% or more of its employees, or conducts IR/ER exercises consecutively in three or more PTSs.

Conclusion

13. In conclusion, we support the PTSC's recommendation that the 2012 PTS methodology should continue to be adopted for the 2013 PTS. We also support the PTSC's continued efforts to keep under review the various aspects of the methodology.

Yours sincerely,

Wilfred Wong

(Wilfred Wong Ying-wai)
Chairman

