

## PRINCIPLES AND PRACTICES

### General Considerations

13. The Hong Kong Government's policy towards civil service remuneration is expressed in a statement<sup>1</sup> made in 1968. In terms of this statement the Government accepts "a duty and responsibility to maintain a civil service recognised as efficient and staffed by members whose conditions of service are regarded as fair both by themselves and by the public which they serve". Such a policy is in keeping with every government's obligation to be a good employer and it is as valid to-day as when it was first stated. The problem then, as it is now, is in reconciling the sometimes conflicting views of civil servants and the general public on what is fair. Understandably the average civil servant's concept of fairness is influenced by the extent to which his aspirations are achieved. Equally understandably the general public, who have to pay the bill, are influenced in their concept of fairness by the effect of any improvement in the conditions of civil servants on their own circumstances.

14. In considering the principles and practices which should govern civil service pay in the future, we have therefore first had regard to the extent to which existing principles and practices have resulted in the achievement of the Government's policy objective. Although we have received representations to the contrary, the awards resulting from the annual pay trend surveys, together with other adjustments made, appear to have generally succeeded in maintaining civil service salaries and fringe benefits at a reasonable level. This does not of course mean that there are no grounds for improvement in some areas, but in our view the Government has gone a considerable way towards achieving fair pay.

15. During our deliberations on principles and practices we have also concluded that in a civil service of the size, complexity and diversity of that in Hong Kong any attempt to apply rigid and inflexible formulae to civil service pay is impracticable. We have therefore made our recommendations in general terms. Furthermore, although we would not expect these principles and practices to be departed from lightly, we would not wish them to be used as a reason for not affording special treatment in exceptional circumstances.

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<sup>1</sup> Statement of Principles and Aims of Civil Service Remuneration - 1968

Comparability with the Private Sector

16. We were advised that the major consideration in determining civil service pay at present is the principle of fair comparison. This principle aims at achieving fair pay for civil servants by paying them at rates broadly comparable to those paid by the private sector. The principle was first formulated by the 1965 Salaries Commission in the following terms :-

- (a) Whenever any reasonably large number of persons can be found both within the public service and outside it engaged in closely comparable work, fair comparison with the remuneration in comparable employment outside Government should be adhered to as closely as possible subject always to the allowances that must be made for differences in the two fields of employment as regards methods of payment, conditions of service generally and career prospects;
- (b) Internal relativities should be regarded as complementary to fair comparison where the latter principle can be applied and should be the first consideration in other cases.

The 1971 Salaries Commission not only endorsed the principle of fair comparison but recommended that comparability with the private sector should override all other considerations including internal relativities.

17. To the extent that movements in private sector pay determine the level of the salary awards which result from the pay trend surveys, comparability with the private sector is a major consideration in determining civil service pay. Beyond this, the concept of the principle of fair comparison as the first and overriding principle governing civil service pay exists in theory rather than practice. The lack of suitable private sector analogues for many civil service posts and the differences in private and public sector methods of determining pay has meant that no satisfactory and acceptable means of fully linking civil service and private sector pay has yet been found.

18. Among the representations we have received, a small but significant proportion advocate abandoning the principle of fair comparison as a means of setting civil service pay. They draw attention to the lack of analogues, to the fact that where analogues do exist the similarity in job content is frequently more apparent than real, and to the differences in private and public sector pay methods and motivation. We

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have therefore considered whether there is any other means of regulating civil service pay which would be fair to civil servants yet still meet the test of public acceptability. Among the suggestions made to us is that civil service pay should be determined by job evaluation based on factor analysis. But while this is a useful management tool for job comparison within the civil service it must still be applied against some general yardstick. Factor analysis, i.e. the measurement of job content etc. by means of a formula, cannot alone regulate movements in pay for the civil service as a whole.

19. If private sector comparability is not to provide the indicator then the only alternative which has been suggested to us is the consumer price index. However, we do not support the concept of index linked salaries. Firstly, from the point of view of the civil service, index linked salaries will not necessarily produce a real increase in the value of pay. Secondly, from the point of view of the public, civil service pay must have regard to the economic circumstances of Hong Kong as a whole. If the economy is buoyant it is right and proper that civil servants should share in the benefits. If the economy is depressed it is equally right that civil servants should share the burden of any necessary measures to limit expenditure.

20. It follows that despite its drawbacks we recommend that broad comparability with the private sector should continue to be an important factor in setting civil service pay. We believe that no other means of regulating levels of pay in general will ensure public acceptance and we consider it essential that civil service salaries do not get out of line with that sector of the economy producing the income from which they are paid. We do not, however, consider it should necessarily be the first principle, the overriding principle or the major consideration. If there is to be a first principle of civil service pay, it should be the old but well-tried principle that salaries should be sufficient to attract and retain candidates of a calibre who will provide the public with an efficient service. This principle also applies, to a more limited extent, to employment in the private sector.

21. We mentioned in our Consultative Document that it appeared to us that much of the dissatisfaction with the principle of fair comparison arose from the manner in which the principle is presently implemented. The 1965 Salaries Commission made no recommendation for applying the principle, considering this to be a matter for further investigation. The 1971 Salaries Commission attempted to make suitable arrangements for applying the principle by dividing the service into occupational classes each of which they felt included a range of jobs with private sector analogues. In the event, the

1971 Salaries Commission's recommendations have proved unworkable. For some of the occupational classes no truly comparable work in the private sector exists. Moreover, some of the occupational classes group like with unlike and their creation has disturbed traditional and longstanding relativities within the civil service which has led in large measure to the discontent which gave rise to our appointment.

22. If, as we propose, broad comparability with the private sector should continue as an important factor in determining civil service pay, then some satisfactory and acceptable means of linking civil service and private sector pay must be found. The occupational class system has not worked and we recommend that it should be abandoned. This raises the question of how, considering the limited degree to which work in the private sector is truly comparable with work in the civil service, jobs in the civil service are to be linked not only with jobs in the private sector but within the civil service itself. We have not found this problem easy to resolve.

23. We believe that civil servants attach too much importance to internal relativities. In particular we cannot accept the argument advanced in some representations that because the rates of pay for two entirely different and unconnected jobs were the same 10 or 20 years ago they should be the same to-day. Job requirements change and the rate for the job may need to be adjusted accordingly whether up or down. However, we sympathise with and accept the view that if civil servants are to see their pay as fair this must be in comparison with something or someone and if they are unable to make external comparisons they will be bound to make them internally. Any new method of linking civil service and private sector pay should take account of this.

24. In our Consultative Document we referred to two possible methods of linking civil service and private sector pay. The first, which we called the "core grade" method, involves the identification of a number of civil service jobs which can be fully and fairly compared with jobs in the private sector. The civil service grades for these jobs would become "core grades" to which other civil service grades would be linked. The pay in the private sector for the jobs comparable with the core grades would then provide a guide to civil service pay for those grades and all related grades. The second method, which we called the "qualification method" involves identifying a range of jobs in the private sector for which a stated educational qualification is a normal requirement for appointment. The pay for all civil service grades requiring similar qualifications for appointment would be broadly based on the pay in the private sector for the identified jobs.

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25. We are not convinced that either of these methods is totally satisfactory but initially we recommend that the "qualification method" should be used. The "core grade" method seems equally if not more effective but we consider that there should be consultation with staff representatives and management on the subject of which grades should form the "core grades" and which grades should be linked to those grades. We do not therefore rule out the possibility of using the "core grade" method at some future date, whether on its own or in combination with the "qualification method", but for the moment we consider the "qualification method" with its readily established criteria, is the only practicable means of providing the essential link to private sector pay, at least at the recruitment level.

26. We appreciate that the private sector may not always attach the same weight to educational qualifications as does the Government but this should not in any way preclude the use of educational qualifications to link civil service and private sector pay. While the educational qualifications for a particular job in the private sector may not be prescribed, it should be possible to obtain an indication of the qualifications which the private sector considers to be normal by the educational qualifications held by the majority of the occupants of a job.

27. Some of the representations we have received reveal a misunderstanding of what we mean by the "qualification method". Its use does not mean, as some civil servants appear to feel, that grade pay will be established solely by having regard to educational qualifications. It simply means that private sector pay for jobs usually requiring a particular qualification will be reflected in civil service pay for jobs requiring a similar qualification. The actual grade pay will depend on a number of other factors connected with the nature of the job, for example required experience, level of responsibility and so on. This subject is dealt with in a later section of this report.

28. An existing principle related to comparability with the private sector is that civil service pay should follow rather than lead the private sector<sup>1</sup>. In the Consultative Document we raised the question of whether, as a matter of social policy, an exception should be made to this principle in the case of the lowest paid. We did so in the light of figures provided by the Census and Statistics Department which indicated that this was already the case. With few exceptions the response to our question has been that pay for the lowest paid civil servants should be permitted to lead the private sector. However, a number of those proposing this course of action qualified their remarks by adding a rider to the effect that pay must take account of economic

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<sup>1</sup> Report of the 1971 Salaries Commission - Chapter 2, paragraph 24

circumstances. We believe that proviso to be important and, after very careful consideration, take the view that Government should not consciously set out to lead the private sector in pay for any level of employee. At the same time we consider that the remuneration of the lowest paid in the civil service should not be governed solely by market forces. The short term fluctuations in private sector pay should not be reflected in the civil service and the general level of remuneration should be maintained. Furthermore, in following the lead of the private sector, we consider that Government should set an acceptable standard and be among the better paying employers in relation to the lowest paid. We have received figures to show that this is not the case at present, and that government salaries for the lowest paid are below those offered by the better paying employers in the private sector.

29. Since it has been raised with us, we feel obliged to refer to the suggestion that the pay of the lowest paid workers in government should be set having regard to some form of "minimum" or "living wage". Insofar as statutory minimum wages are concerned, this is far outside our terms of reference. We have nevertheless considered the arguments advanced for the government adopting a minimum wage policy in respect of its own staff but take the view that any attempt at minimum wage fixing would be highly undesirable.

#### The Pay Investigation Unit

30. Implementation of the principle of fair comparison depends to a large extent on the work of the Pay Investigation Unit. This Unit, which was established in 1969, collects and presents information on private sector pay and conditions from which decisions are taken on whether adjustments to civil service pay are required. The Unit has a considerable degree of independence in its operations and administratively forms part of the Civil Service Branch which is involved both in the planning of the Unit's work programme and the implementation of its findings. However, in conducting the annual pay trend surveys the Unit is commissioned by a steering committee of the Senior Civil Service Council.

31. Many of the representations which we have received regarding the Pay Investigation Unit have been highly critical of its work. To some extent this is due to a lack of knowledge of how the Unit operates. For example, a number of staff suggested that the Unit was unfair in that it failed to take account of private sector fringe benefits such as Lunar New Year and other bonuses, discounts, etc. In fact, the Unit does take account of any quantifiable private sector fringe benefits. We would repeat, therefore, the view which we expressed in the Consultative Document, that there is an early requirement for staff to be provided with more and better information on the Unit's method of operation.



32. In view of the number of representations received on the subject we would suggest that it may be appropriate to remind civil servants that not all private sector fringe benefits are superior to their own. In considering practices in the private sector civil servants should not lose sight of the special benefits peculiar to the civil service; for example, job security, regularly reviewed pensions, generally more generous leave provisions, and so on.

33. We do accept the view that while the Pay Investigation Unit remains administratively part of the Civil Service Branch this will give rise to doubts about the independence of its operations. We have noted that the majority believe that the Unit should be placed under the control of the Standing Commission and we shall consider this along with other possibilities when we have had the opportunity to assess the role the Unit should play in our revised proposals for implementing the principle of fair comparison. In the meantime, we hope that our suggestion that staff be provided with information on how the Unit works will be acted upon. We appreciate of course that no disclosure can or should be made of information provided to the Unit by the private sector on a confidential basis.

#### Starting Rates of Pay and Other Factors Affecting Pay

34. At present, for officers on the Master Pay Scale, we consider educational qualifications provide the most satisfactory method of establishing benchmarks for starting rates of pay for entry ranks. The use of educational qualifications to determine benchmarks for starting rates of pay is a widely accepted practice and we see no reason to depart from this practice. We do not, however, necessarily consider the present educational benchmarks to be appropriate. For example there appears to us to be too big a difference between the benchmark for school certificate and that for matriculation and some of the Hong Kong Polytechnic qualifications seem undervalued. We shall therefore examine the benchmarks for the various qualifications in our review of individual grades.

35. In the Consultative Document we drew attention to a disadvantage in the use of educational qualifications as a major consideration in determining starting rates of pay. This was that their use could lead to pressure to raise minimum entry qualifications as a means of raising pay levels. A number of the representations which we have received lead us to believe that this is a very real danger. In the longer term there is probably a need to review the educational standards necessary for entry to each grade both in the light of changes in the nature of the work performed and having regard to changes in the pattern of education in Hong Kong generally.

For the time being however, any pressure to raise the educational entry qualifications above the level necessary to permit the competent performance of the job concerned should be firmly resisted. Certainly no account should normally be taken of the fact that persons with qualifications above the minimum elect to enter a particular grade. This is their own choice. Their better education should, if put to good use, give them a distinct advantage in proving their ability and suitability for advancement. It should not entitle them to more than the rate for the job based on the essential qualifications.

36. In no circumstances should educational qualifications be the be all and end all in setting pay levels for civil service grades. While educational qualifications should set the starting pay benchmarks other factors must be taken into account to determine the rate for the job.

37. At this point we would again refer to the representations we have received that the rate for the job should be determined by job evaluation based on factor analysis. We tend to agree that there is a need for a job evaluation exercise. We would however sound a note of caution to those who see this as a panacea for all comparability problems. In conducting a job evaluation exercise the factors to be used, the weights to be attached and the application of the weights to be attached to a particular job, are all a matter of judgement, a judgement which must be made against the background of the economic and social circumstances of the community in which the job exists.

38. In our opinion it is the factors to which we refer in the following sub-paragraphs which should be taken into account in setting pay scales.

(a) Dangerous or obnoxious duties

(i) Duties where the work is generally recognised as being particularly distasteful or dangerous. We would repeat the examples quoted in the Consultative Document : i.e. working with explosives or in a mortuary.

(ii) We would take the opportunity to point out that there appears to be an uneven application of eligibility for obnoxious duties allowance and a need therefore to rationalise its payment. Some staff whose work involves little more than exposure to the dust and grime of everyday life receive the allowance while others, whose work appears to us to be genuinely obnoxious, do not.

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(b) Enforcement duties

Enforcement duties which involve confrontation with the public to the extent that there is a real risk of the enforcing officer being subjected to harm.

(c) Job Content

Where a job requires special and unusual skills, an above normal level of responsibility for the rank, or the exercise of a supervisory role beyond that usually expected at the level concerned.

(d) Shift work

Shift work which involves working during evenings, nights and at weekends and therefore leads to appreciable disruption of normal family life.

The above factors should only be rewarded by adjustments to the pay scale where they apply to a minimum of 75% of the rank. However in assessing the extent to which they apply consideration should be given to the obligation to perform the duties concerned and not only to the actual numbers engaged on such work at any one time. Where any of these factors apply to less than 75% of the rank, consideration may be given to the payment of an allowance.

39. The following factors should be taken into account in adjustments to the minimum of the scale only :-

(a) Age

Where a minimum age requirement has been set on the grounds that a job cannot be successfully performed by a young and inexperienced officer, increments should be awarded having regard to the number of years by which the age required exceeds the normal age of entry to a similar grade.

(b) Qualifications over and above the minimum

Exceptionally, where an additional qualification is of particular value in a specific rank, increments should be awarded having regard to the number of years normally required to obtain that qualification.

(c) Required experience

Where the entry qualification for a job requires a specified period of post qualification experience increments should be awarded for the years of that experience.

40. It follows that we do not consider that the following factors should be taken into account :-

(a) Competitive Entry

We see no justification in granting additional increments at the bottom of the scale to ranks the entry to which is by competitive examination.

(b) Outside work in all weathers

We consider outside work in all weathers is an essential part of the nature of a job. There is already an allowance for officers required to work during typhoons.

(c) Requirement to wear uniform

We take the view that the costs involved in being required to wear uniforms are largely offset by the saving in wear and tear on ordinary clothes. However, we consider that those civil servants who are required to wear uniform and to maintain a smart appearance should not personally have to meet the cost of laundering. We suggest that appropriate facilities and not an allowance should be provided.

(d) Requirement to work on public holidays and weekends

Where shift work is not involved, we consider this factor can be adequately recompensed by overtime or by the grant of sufficient time-off in lieu.

41. There is one other factor which we believe should be recognised for incremental credit in setting grade pay. This is recruitment and retention difficulties. Where such difficulties arise which are sufficiently serious to justify special treatment, the Civil Service Branch should be authorised to grant additional increments, preferably for previous relevant experience without disturbing the grade pay structure, subject only to the proviso that no serving civil servant should be paid less than the new appointment. If and when the situation improves the award of additional increments should cease. Where recruitment and retention difficulties continue for an extended period consideration should be given to adjusting the pay scale on a permanent basis.

42. The application of the recommended factors should help to reduce the wide differences in the pay scales of ranks requiring the same educational qualifications for entry. Even in our assessment of job content, account will only be taken of substantial variations between grades. Within the Hong Kong