

CHAPTER 2

THE MAIN ACTIVITIES OF THE COMMISSION

Civil Service Pay Policy

2.1 In our last Progress Report, we said that, in pursuance of the concept of total packages put forward in our Reports No. 7 and 9, we had asked the Pay Research Advisory Committee to examine the findings of a report which we received in May 1984 from a Working Group comprising representatives of the Administration and the main staff associations on the subject of valuation of fringe benefits for pay level surveys. We also said that, after obtaining the advice of a Consultant on certain aspects of it, the Committee was expected to submit a report to us in early 1986.

2.2 During the year, the Pay Research Advisory Committee finalised its recommendations on the subject and submitted a report to us in May 1986. As a result of the events mentioned in the following paragraph, we started work in March 1986 on a pay level survey for the purpose of comparing the total pay packages of the civil service with those of comparable jobs in the private sector.

The 1986 Pay Level Survey

2.3 In paragraph 2.6 of our last Progress Report, we recorded that we had been requested by the Administration to advise whether non-Directorate salaries had in general lagged behind those in the private sector and that this request had stemmed from claims from staff associations for an increase in pay of 6.4% for non-Directorate salaries following Government's awards of increases ranging from 6.4% to 13.5% on Directorate salaries with effect from August 1985. We also said that it was not possible to carry out a valid pay level survey within a reasonable period of time and hence, as an interim measure, we submitted findings to His Excellency the Governor in December 1985 only on the extent to which pay adjustments in the civil service had cumulatively fallen behind the pay trend indicators since 1979/80. On the basis of our findings, the Government made an offer of a 2% increase, subsequently revised to 2.7%, to non-Directorate staff, on the understanding that a full pay level survey would be conducted as soon as possible. This was followed by

a decision taken by the Governor-in-Council in February 1986 that our Commission should be invited to complete a pay level survey within the financial year of 1986/87.

2.4 Preparatory work on the 1986 Pay Level Survey commenced in March 1986. At the outset, we decided to engage a consultancy firm with extensive experience firstly, to develop a comprehensive methodology for the survey which would incorporate the methodology devised by the Pay Research Advisory Committee for the valuation of fringe benefits and secondly, to conduct the survey itself with the assistance of the Pay Survey and Research Unit and the Commission Secretariat. As a result, Hay Management Consultants (Hong Kong) Ltd., a firm renowned for its international experience in the conduct of pay level surveys, was selected to undertake this task. We also collected views from various quarters on the scope and the conduct of the survey by the issue of a consultative document in April 1986 and due account was taken of these views in the conduct of the survey.

2.5 In May 1986, we set up a Pay Level Survey Advisory Committee to advise us on the methodology and on the interpretation of the findings of the survey. At the same time, we also set up a Pay Level Survey Steering Group to monitor the conduct of the survey by the consultants. Details on the activities of these two Committees are given in Chapter 4.

2.6 We received the First Report of the Pay Level Survey Advisory Committee on the methodology for the survey in July 1986. After taking into account the advice of the consultants, the views expressed by the Pay Level Survey Advisory Committee and the views expressed in response to the consultative document, we submitted our recommendations on the proposed methodology for the pay level survey in our Report No. 16 to His Excellency the Governor in July 1986. In his letter dated 14 August 1986 to the Commission, the Acting Governor endorsed our proposed approach but suggested a few modifications to the methodology, which were conveyed to the Pay Level Survey Advisory Committee on 20 August 1986 and have since been incorporated.

2.7 The survey took place in the months of August 1986 to October 1986. A total of 52 private companies took part in it and 141 civil service ranks were selected for comparison with the private sector.

2.8 In November 1986, the consultants presented to us the survey findings, which were discussed by the Pay Level Survey Advisory Committee. We expect the Committee to present to us in January 1987 its Second Report on the findings and the interpretation of the results of the pay level survey. We shall take into account the views expressed by the Committee and we expect to be able to submit our findings on the pay level survey to His Excellency the Governor in late February 1987.

The 1986/87 Pay Trend Survey

2.9 Although a pay level survey was being carried out in the same year, we decided that a pay trend survey should still be conducted in 1986, having regard to the different nature of the two types of surveys. Pay level surveys are conducted to compare the absolute remuneration, including both salaries and fringe benefits, of employees in the public and private sectors at a particular point in time, whereas pay trend surveys are conducted to measure the rate of change in salaries in the private sector over a specified period. Having decided that both surveys should be carried out, we then reviewed the methodology for the pay trend survey, as we did in previous years. We submitted the following recommendations to His Excellency the Governor towards the end of the year : -

- (a) as Lunar New Year's Day in 1987 will fall on 29 January, the deadline for the collection of survey data should be extended to 4 February to allow Lunar New Year bonuses to be included in the 1986/87 Pay Trend Survey;
- (b) in order to make the survey field more representative of the major areas of economic activities in Hong Kong, 13 companies should be added to the existing survey field and one company, which was previously excluded, should be re-included. As a result, the total number of companies in the survey field will be increased from 57 to 71;
- (c) the number of salary bands used in the pay trend survey should remain at three;
- (d) the present system of calculating pay trend indicators should continue to be used; and

- (e) an additional criterion should be added to provide for the deletion of any company in the survey field which has undergone substantial changes in its nature of business and salary structure.

2.10 These recommendations are set out in full in our letter of 20 October 1986 to His Excellency the Governor (Appendix IV). They were all accepted by the Government and will be put into effect in the 1986/87 Pay Trend Survey.

Review of Job-related Allowances

2.11 We began our review of job-related allowances in 1983. Because of the complexity and scope of the issues involved, we appointed a special committee, under the chairmanship of Dr. Victor K.K. Fung, to carry out a detailed examination of the subject.

2.12 By October 1984, the Committee had completed the first stage of the review and drawn up a number of recommendations on the role of the job-related allowance system in the civil service and on the principles and practices governing the payment of job-related allowances and eligibility for them. The Committee completed the second stage of the review in 1985, having examined the individual categories of job-related allowances and in particular, the broad issues and the common problems affecting each of these categories as well as the possible need to apply additional principles and guidelines to any of them.

2.13 Towards the end of 1985, the Committee presented to us a full report covering the two stages of the review. We examined in detail the recommendations contained in it and we endorsed them. The findings and recommendations were subsequently consolidated in our Report No. 15 on Job-Related Allowances, which was submitted to His Excellency the Governor on 18 February 1986.

Review of Leave and Passages

2.14 In Report No. 14, we said that the Administration had reached general agreement with the three main staff councils on a package of leave and passage proposals for civil servants, which was designed to rationalise and simplify the administration of leave and passage arrangements in the civil service and that we were requested to advise on those proposals. In the same report, we also recorded our

decision to examine these in two stages : the first of which involved no major increase in the value of leave and passage benefits and the second covering the remaining proposals which entailed either an increase in the value of benefits in the case of serving civil servants, or revised benefits in the case of new appointees. We completed the first stage of the review towards the end of 1985. Our recommendations were submitted in a letter dated 30 December 1985 to His Excellency the Governor.

2.15 We commenced the second stage of the review at the end of 1985 and continued our deliberations in early 1986. The proposals we dealt with in the second stage comprised the following : -

- (a) the introduction of cash payments to officers leaving the civil service in lieu of final leave;
- (b) the extension of the Annual Leave Scheme with associated passages to overseas officers on MPS 38 - 47 or the equivalent;
- (c) the provision of leave passages to local officers on MPS 51 or the equivalent; and
- (d) the provision of more flexible leave and passage arrangements to overseas officers on MPS 48 - 51 or the equivalent.

We reached conclusions on these issues and submitted our recommendations in a letter dated 17 February 1986 to His Excellency the Governor.

2.16 During the second stage of the review, we also reached preliminary conclusions on new leave and passage arrangements for new appointees to the civil service. However, we intend to re-examine these in greater detail after we have obtained, firstly, further information regarding the extent to which our recommendations on new leave and passage arrangements for serving civil servants are accepted by the Government and, secondly, information regarding the leave and passage benefits given to employees in the private sector from the findings of the 1986 Pay Level Survey.

2.17 Towards the end of the year, we were informed that the Administration had conducted extensive consultation with the three main staff consultative councils on those recommendations which we had so far submitted to His

Excellency the Governor on the review and that relevant Government departments had also been consulted on how to devise practical means of implementing them. We were further informed that although the Administration and the staff councils had accepted most of our recommendations, they had put forward counter-proposals on two of them. We had examined these. We shall submit our advice on them to His Excellency the Governor in early 1987. It is also our intention to publish a report covering all the recommendations which we have made in the two stages of the review at a later date.

Review of Model Scale 1 Hours of Work

2.18 In 1983, we asked the Administration to carry out a review of the conditioned hours of work of Model Scale 1 staff in view of an apparent discrepancy in the working hours of the staff of Model Scale 1 and those remunerated on the Master Pay Scale. The findings of the review established that civil service practices were broadly in line with those of the private sector. We decided, however, to review the subject matter again in about two years' time to take account of any changes that might have occurred in private sector practice in the interim.

2.19 During the year, we were informed that the Administration had completed another review. We were asked to consider a proposal to reduce the conditioned hours of work of Model Scale 1 staff from 48 hours net to 45 hours net per week. In order to obtain a good understanding of their working conditions, we met the Staff Side representatives of the Model Scale 1 Staff Consultative Council in June 1986 to hear their views on this subject and on other related issues.

2.20 Having regard to the pay level survey carried out at the same time, we decided that further consideration of the issue ought to be deferred until the results of the survey were made known. We expect the findings of the survey, which takes into account conditioned working hours among other relevant factors for pay comparisons, to provide some indication as to whether the total packages of Model Scale 1 staff are broadly in line with those of their counterparts in the private sector.