

Appendix G

14 November 1991

His Excellency Sir David Wilson, G.C.M.G.,  
Governor of Hong Kong.

Your Excellency,

Methodology for the Pay Trend Survey

In our letter of 13 November 1990, we recommended some improvements to the pay trend survey methodology. Our recommendations were accepted by the Government and implemented in the 1990/91 survey.

2. Besides our recommendations on improvements, we also addressed in our letter a suggestion from the Pay Trend Survey Committee to exclude piece-rated and hourly-rated employees from the pay trend survey. We recommended no change at the time as we were not entirely clear of the impact of the proposal. Furthermore, with the major change in the survey period, we thought it desirable to avoid disturbing the survey system further.

3. Following completion of the 1990-91 survey, the Pay Trend Survey Committee reconsidered the exclusion of piece-rated and hourly-rated employees from the pay trend survey. The Committee unanimously recommended that piece-rated employees be excluded from the survey. This was because they were remunerated on a totally different basis from civil servants. As regards hourly-rated employees, the Committee had mixed views. Two members supported the suggestion. Other members were less inclined to support it and felt that it would be pertinent to re-examine the issue when the survey field was expanded in future. In formulating our recommendations, we have taken full account of the advice of the Pay Trend Survey Committee.

Hourly-rated and Piece-rated Employees

4. For the purpose of the pay trend survey, information is obtained on the movements of the pay of the full-time employees in the participating companies whose salary levels are comparable to those of non-Directorate civil servants. In general, there are four bases for remunerating full-time employees in the private sector, namely hourly, daily, monthly

and piece rates. A common feature of the first three is that employees are paid for the service rendered on the basis of a specific unit of time, namely hour, day or month, without regard to their output. Payment of salaries are made generally at intervals of a fortnight or a month.

5. As regards piece rates, a specific amount is paid for each piece produced. In other words, the salary of a piece-rated employee is determined by his output without regard to the length of time that he has worked.

6. Of the 69 companies in the existing survey field, hourly-rated and piece-rated employees represent 4% and 2% of the total survey population respectively. They constitute 6% and 3% of survey employees in the lower salary band, and 1% and 0.6% in the middle salary band respectively.

7. The remuneration of civil servants is on a time basis similar to that of private sector employees remunerated on an hourly, daily or monthly basis, i.e. they are also paid for the length of time that they have worked without regard to their output.

#### The Commission's Views and Recommendation

8. The revised survey period was adopted in the 1990-91 survey and met no adverse reaction either from the participating companies or from civil servants. In the circumstance, other changes can be considered for introduction in the 1991-92 pay trend survey. Considering that the basis of remuneration for piece-rated employees is totally different from that of civil servants, and that excluding piece-rated employees will reduce the number of survey employees by only 2% (3% in the lower salary band and 0.6% in the middle band), we recommend the exclusion of piece-rated employees from the Pay Trend Survey. If our recommendation is accepted, we propose that it be implemented in the 1991-92 pay trend survey.

9. As regards hourly-rated employees, we see no justification for excluding them as the basis of their remuneration is the same as that for civil servants. Furthermore, as the exclusion of both piece-rated and hourly-rated employees would substantially reduce the number of survey employees in the lower salary band by some 10%, we are concerned about the effects on the representativeness of the survey.

Appendix G (Cont'd)

Conclusion

10. We believe that the change proposed above will serve to improve the pay trend survey system and we shall continue to keep it under review.

We have the honour to be  
Your Excellency's obedient servants,

(Sidney Gordon)  
Chairman  
For and on behalf of  
Members of the Standing Commission