

17 December 1998

Dr Leung Chi-chiu  
Staff Side Chairman  
of the Senior Civil Service Council

Dear Dr Leung,

### **Review of Civil Service Starting Salaries**

I would like to convey to you the response of the Standing Commission on Civil Service Salaries and Conditions of Service to salient points made by you and other Staff Side representatives at the informal meetings on 26 November 1998 and 9 December 1998 and your letter addressed to the Commission Chairman, Sir Sidney Gordon, dated 7 December 1998.

The Commission's views as stated in the following paragraphs have been arrived at after detailed consideration of the representations made -

(a) *Timing of the review*

The timing of the review is a matter for the Administration to decide. The Secretary for the Civil Service (SCS) has re-affirmed to the Commission in writing that the timing of the review would not be changed. The Commission will therefore proceed with the review in 1999 as originally scheduled.

(b) *Scope of the review*

As with timing, the SCS has also re-affirmed that the scope of the review would remain unchanged and the Commission is to undertake a review covering civil service starting salaries only. Whether the review would lead on to reviews of other aspects concerning civil service salaries would be a matter for the Administration to decide. We understand

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that the Administration keeps an open mind and will consider the need for further reviews in the light of the findings of the current review and the Commission's recommendations on how to take these forward.

(c) *Timeframe of the review and staff consultation*

The Administration has asked the Commission to submit its recommendations to the Chief Executive by June 1999. The Commission's timetable for the review, drawn up having regard to this deadline and the necessary work involved at each stage, requires the Steering Group to complete an exchange of views with all interested parties on the survey methodology and to consolidate the survey field in December in order that the survey could start in early January 1999. Because of the complexity of the survey and the need to cover a target of 120 companies to make the sample representative, a minimum of four months (from January to early May 1999) will be required for the survey. Therefore, it is not possible to delay the commencement of the survey given that the deadline for the completion of the review remains June 1999. As regards staff consultation, the Commission's view is that since the current review is focussed on benchmarks of individual education qualification groups, rather than on the pay structure of all civil service grades and ranks, consultation with the Staff Sides of the four central consultative councils and with the other three major civil service unions (which altogether represent well over 70% of the civil service), through the Steering Group, should be sufficient and appropriate.

(d) *Survey methodology*

The Educational Qualification Method (EQM) proposed by the Commission for the current review was used in 1979 and again in the 1989 review. For the past twenty years, the civil service pay structure was developed on this basis. It has been working well and has been accepted by both the civil service and the public. There is no reason to change the methodology in the forthcoming survey.

The Commission, of course, has considered other methods such as the core grade and the grade-by-grade factor

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analysis methods. As the objective is to make broad, rather than precise, comparisons of starting salaries between the private sector and the civil service, the Commission is of the view that the EQM far outweighs the other two methods.

Having regard to the fact that the EQM is a well-established and relatively simple method and the tight timetable, the time given for the Staff Sides to comment on the survey methodology is not therefore unreasonable.

(e) *Survey period*

It is a common practice to use 12 months as the survey period to ensure that the most up-to-date pay data are captured. Extending the survey period to, say, two to three years, to capture historical data would be difficult to justify and undermine the credibility of the survey findings. It is also important to bear in mind the practical constraints that many companies may have difficulty in providing historical data and may, on this account, opt out of the survey. The Commission has raised this issue with the Administration which has confirmed that it is the most up-to-date position and not the past trend that the Commission should be concerned with.

You may also wish to note that the Administration has asked the Commission to advise on ways and means to ensure the continuing broad comparability between civil service entry pay and pay in the private sector for similar qualifications.

(f) *Survey questionnaire*

The Commission's view is that as a tool to facilitate the survey, the questionnaire is designed merely to capture data and nothing else. Unlike the pay trend survey which is commissioned by the Pay Trend Survey Committee, its members consisting mainly of the Staff Sides who are therefore rightfully entitled to a part in designing the questionnaire, the same analogy cannot be extended to the starting salaries review which is a task to be undertaken by the Commission independently. For the sake of the credibility of the survey, the Commission not only has to conduct it independently but be seen to be doing just that. Therefore, neither the

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Administration, interested private sector bodies nor the companies involved in the survey have been consulted on the design of the survey questionnaire. It would also be inappropriate to consult the Staff Sides.

(g) *List of survey companies*

The Commission has no objection to release the list of survey companies for information but considers that this should be done only after the list has been finalised and the participation of the companies concerned confirmed.

(h) *Consultation on survey findings and the Commission's recommendations*

The Commission's view on this is that as the review was commissioned by the Administration, it is only right and proper that the Commission should submit the findings and recommendations to the Administration. The well-established practice over the years is that before the Administration introduces any changes based on the Commission's recommendations, the Administration would undertake to consult the Staff Sides of the four central consultative councils first. The Commission has been assured by the Administration that the same consultation procedure will be followed in the current review. You can also be assured that the Commission has no pre-conceived views on the survey findings and will consider all relevant factors when making recommendations to the Administration.

I trust the above information will help to clarify your concerns about the review. The Commission appreciates the opportunity of meeting with the Staff Sides. If you or your representatives have further views on the review, including matters which you think we should make reference to in analyzing the findings of the survey and making recommendations to the Administration, please let the Commission Secretariat know.

Appendix IV (cont'd)

Yours sincerely,

(Nicholas S C Chiu)  
Convenor  
Civil Service Starting Salaries Review  
Steering Group

c.c. Mr W K Lam, JP  
Secretary for the Civil Service  
Sir Sidney Gordon, JP  
Chairman, Standing Commission  
Mr Paul Tang, JP  
Secretary General, Standing Commission

(Similar letter to :

Mr Chan Cheung-yee  
Staff-Side Chairman of the Model Scale 1 Staff Consultative Council

Mr Leung Yiu-wah  
Staff-Side Chairman of the Disciplined Services Consultative Council

Mr Lung Hung-cheuk, Larry  
Principal Staff-Side Spokesman of the Police Force Council)

17 December 1998

Mr Cheung Kwok-bui  
Chairman  
Hong Kong Civil Servants General Union

Dear Mr Cheung,

### **Review of Civil Service Starting Salaries**

I would like to convey to you the response of the Standing Commission on Civil Service Salaries and Conditions of Service to the salient points made by you and other union representatives at your meeting with the Commission's Steering Group on 27 November 1998.

The Commission's views as stated in the following paragraphs have been arrived at after detailed consideration of the points made -

(a) *Timing of the review*

The timing of the review is a matter for the Administration to decide. The Secretary for the Civil Service (SCS) has re-affirmed to the Commission in writing that the timing of the review would not be changed. The Commission will therefore proceed with the review in 1999 as originally scheduled.

(b) *Scope of the review*

As with timing, the SCS has also re-affirmed that the scope of the review would remain unchanged and the Commission is to undertake a review covering civil service starting salaries only. However, we understand that the Administration keeps an open mind and will consider the need for further reviews in the light of the findings of the current review and the Commission's recommendations on how to take these forward.

(c) *Timeframe of the review and staff consultation*

The Administration has asked the Commission to submit its recommendations to the Chief Executive by June 1999. The Commission's timetable for the review, drawn up having regard to this deadline and the necessary work involved at each stage, requires the Steering Group to complete an exchange of views with all interested parties on the survey methodology and to consolidate the survey field in December in order that the survey could start in early January 1999. Because of the complexity of the survey and the need to cover a target of 120 companies to make the sample representative, a minimum of four months (from January to early May 1999) will be required for the survey. Therefore, it is not possible to delay the commencement of the survey as the deadline for the completion of the review remains June 1999. As regards staff consultation, the Commission's view is that since the current review is focussed on benchmarks of individual education qualification groups, rather than on the pay structure of all civil service grades and ranks, consultation with the Staff Sides of the four central consultative councils and with the other three major civil service unions (which altogether represent well over 70% of the civil service), through the Steering Group, should be sufficient and appropriate.

(d) *Survey methodology*

The Educational Qualification Method (EQM) proposed by the Commission for the current review was used in 1979 and again in the 1989 review. For the past twenty years, the civil service pay structure was developed on this basis. It has been working well and has been accepted by both the civil service and the public. There is no reason to change the methodology in the forthcoming survey.

The Commission, of course, has considered other methods such as the core grade and the grade-by-grade factor analysis methods. As the objective is to make broad, rather than precise, comparisons of starting salaries between the private sector and the civil service, the Commission is of the view that the EQM far outweighs the other two methods.

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Having regard to the fact that the EQM is a well-established and relatively simple method and the tight timetable, the time given for you and other union representatives to comment on the methodology is not therefore unreasonable.

(e) *Survey period*

It is a common practice to use 12 months as the survey period to ensure that the most up-to-date pay data are captured. Extending the survey period to, say, two to three years, to capture historical data would be difficult to justify and undermine the credibility of the survey findings. It is also important to bear in mind the practical constraints that many companies may have difficulty in providing historical data and may, on this account, opt out of the survey. The Commission has raised this issue with the Administration which has confirmed that it is the most up-to-date position and not the past trend that the Commission should be concerned with.

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The Commission has no objection to release the list of survey companies for information but considers that this should be done only after the list has been finalised and the participation of companies concerned confirmed.

(g) *Consultation on survey findings and the Commission's recommendations*

The Commission's view on this is that as the review was commissioned by the Administration, it is only right and proper that the Commission should submit the findings and recommendations to the Administration. The well-established practice over the years is that before the Administration introduces any changes based on the Commission's recommendations, the Administration would undertake to consult the Staff Sides of the four central consultative councils first. The Commission has been assured by the Administration that the same consultation procedure will be followed in the current review. You can also be assured that the Commission has no pre-conceived views on the survey findings and will



Appendix IV (cont'd)

take into account all relevant factors when making recommendations to the Administration.

I trust the above information will help to clarify your concerns about the review. The Steering Group appreciates the opportunity of meeting you. If you or your representatives have further views on the review, please let the Commission Secretariat know.

Yours sincerely,

(Nicholas S C Chiu)  
Convenor  
Civil Service Starting Salaries Review  
Steering Group

c.c. Mr W K Lam, JP  
Secretary for the Civil Service  
Sir Sidney Gordon, JP  
Chairman, Standing Commission  
Mr Paul Tang, JP  
Secretary General, Standing Commission

(Similar letter to :

Mr Chan Che-kwong  
Chairman of the Government Employees Association

Mr Leung Chau-ting  
Chairman of the Federation of Civil Service Unions)