

CHAPTER 2

GENERAL PRINCIPLES

2.1 As stated in Chapter 1, the scope and timeframe of the Review do not allow for an overall review of complex and fundamental issues concerning civil service pay and individual grades.

Qualification Groups and Internal Relativities

2.2 We therefore proceeded on the basis that the existing Qualification Groups (the list is at Appendix II) and the established relativities between these Groups and among grades within the various Groups in use for the past decade or more should be adhered to, as far as possible, unless overridden by the findings of the pay comparison survey.

Salaries beyond Entry Level

2.3 Civil service salaries beyond the entry level have never been set on the basis of pay comparison with the private sector given that such comparison is far more complex and controversial. Instead, they have been set on account of other job factors following a comprehensive review of the salary and rank structure of individual grades in the overall reviews of 1979 and 1989. Since the present Review is limited to starting salaries, the Commission is precluded from undertaking any review of civil service salaries beyond the entry level. In such circumstances, any recommendations on the new Benchmarks and starting salaries arising from this Review will apply only to future recruits and the entitlements of existing staff will not be affected.

Survey Methodology

2.4 In the last two overall reviews in 1979 and 1989 conducted by the Commission, the Educational Qualification Method (EQM) was used to compare jobs at the entry level in the civil service and in the private sector.

2.5 There are three commonly used methods of pay comparison viz. the EQM, the core grade method and the grade by grade factor analysis method. All these methods were given careful consideration by the Commission during the review in 1989. In deciding on which method to be used, the Commission in 1989 took account of the following considerations –

- (a) the preference for broad indicators rather than precise indicators to allow a greater degree of flexibility in the pay determination process. To obtain precise indicators would necessitate the development of a very detailed and exact methodology which might not necessarily be accepted by all the parties concerned; and
- (b) the paramount concern for maintaining continuity and stability in the civil service. Any method of comparison which was complicated and controversial would militate against this objective and render it difficult for the findings to be implemented.

The Commission concluded then that the EQM should continue to be the basis for making comparison with the private sector.

2.6 We have re-considered the above considerations carefully and come to the conclusion that they are still valid. For the past 20 years, the civil service pay structure has been developed on this basis and this has been accepted by both the civil servants and the public. Therefore, we see no reason to change the methodology for the present exercise. We also note that the Educational Qualification Grouping system remains the basis for defining the civil service pay structure and that the EQM is a well-established and relatively simple method. In view of the above, we are of the view that the EQM remains the most practical method for conducting a pay comparison survey, especially given the tight timeframe for the Review. Details of the EQM are set out at Appendix III.

Survey Period

2.7 It is a common practice to use the past 12 months as the survey period to ensure that the most up-to-date data are captured and we think this approach should be adopted. The same principle also applies to the annual Pay Trend Survey. It has been suggested that the survey period should be extended to, say, the past two to three years, to capture historical data. But we think this is inappropriate given that the objective is to draw comparisons with the latest trend in the private sector and not past trends. It is also important to bear in mind that many companies may have difficulty in providing historical data and may, on this account, be unable to take part in the survey.

Third Quartile Level

2.8 The third quartile level of private sector pay data was used by the Commission in 1989 as a reference for determining the Benchmarks for the QGs in view of the Government's policy of keeping in step with remuneration practices of the larger and more established companies in the private sector. In considering whether the third quartile level should again be used in the present Review, the Commission has received confirmation from the Government that its policy on this matter remains unchanged. In the light of this, the third quartile level of the survey findings has again been used in the current Review as a reference in determining the new Benchmarks for the QGs.

The Steering Group

2.9 To facilitate the planning and execution of the Review, we established a Steering Group under the Commission to take charge of the following responsibilities –

- (a) to discuss and, where necessary, to refine the survey methodology;
- (b) to consider issues related to the operation of the survey and the interpretation of the survey findings;

- (c) to brief major civil service staff unions and interested private sector organisations on the survey methodology;
- (d) to monitor the work of the Pay Survey and Research Unit in executing the survey in accordance with methodology approved by the Commission; and
- (e) to analyse the survey findings and, in the light of which, to recommend for the Commission's consideration whether changes should be made to the civil service Benchmarks or entry pay levels and, if so, how they should be effected.

2.10 The Steering Group consisted of four Commission Members viz. **Professor Chan Yuk-shee, Mr David Gairns, Mr Yeung Ka-sing** and **Mr Nicholas Chiu** with **Mr Chiu** serving as the Convenor. In view of the implications of the Review on the disciplined services, the Government considered it appropriate for **Dr Cheung Bing-leung**, nominated by the Standing Committee on Disciplined Services Salaries and Conditions of Service (Standing Committee), to participate in the Steering Group as an observer. The Secretary General of the Commission and the Secretary General of the Standing Committee together with the Controller of the Pay Survey and Research Unit, which was responsible for carrying out the pay surveys, also attended.

Discussions with Staff and Private Sector Organisations

2.11 The Steering Group held a series of meetings from 25 – 27 November 1998 with the representatives of civil service councils and unions on the survey methodology. These included major unions making up the Staff Sides of the Senior Civil Service Council, the Model Scale 1 Staff Consultative Council, the Police Force Council and the Disciplined Services Consultative Council, in addition to the Hong Kong Civil Servants General Union, the Government Employees Association and the Federation of Civil Service Unions. The Commission also met the Staff Sides of the four central consultative councils on 9 December 1998 to discuss various aspects concerning the Review. Informal discussions were also held between the Commission Secretariat and the Hong Kong Institute of Human Resource Management and the Employers' Federation of Hong Kong on 20 and

27 November 1998 respectively for an exchange of views on the survey methodology.

2.12 The main concerns raised by staff were : whether the Review should be undertaken at a time when the economic situation in Hong Kong was unstable, more time should be given for consultation, a comprehensive review of individual grades should be conducted, the survey methodology should be modified to take account of factors pertaining to individual jobs and the survey should include private sector pay data of the past few years.

2.13 Representations by staff were given careful consideration by the Commission at the meeting on 10 December 1998. The Commission's views on the salient points raised were conveyed to the representatives of the respective councils/unions by the Convenor of the Steering Group on 17 December 1998 (vide letters at Appendix IV).
