

HONG KONG
STANDING COMMISSION ON CIVIL SERVICE
SALARIES AND CONDITIONS OF SERVICE

REPORT No. 51

REPORT 2013

CHAIRMAN

DR WILFRED WONG YING-WAI, SBS, JP

FEBRUARY 2014

公務員薪俸及服務條件常務委員會
Standing Commission on Civil Service Salaries and Conditions of Service

本會檔號 Our Ref.: JS/SC8/R51

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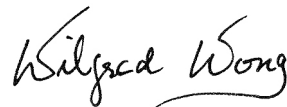
28 February 2014

The Honourable C Y Leung, GBM, GBS, JP
The Chief Executive
Hong Kong Special Administrative Region
People's Republic of China
Tamar
Hong Kong

Dear Sir,

----- On behalf of the Standing Commission on Civil Service Salaries
and Conditions of Service, I have the honour to submit a report on our work
during 2013.

Yours faithfully,



(Wilfred Wong Ying-wai)
Chairman

Standing Commission on Civil Service
Salaries and Conditions of Service

Encl.

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STANDING COMMISSION ON CIVIL SERVICE
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Standing Commission on Civil Service Salaries and Conditions of Service

(Membership as at end of September 2013)



Front Row: Mr Owen Chan, JP The Hon Jeffrey Lam, GBS, JP Dr Wilfred Wong Ying-wai, SBS, JP (Chairman) Dr Miranda Chung Miss Elaine Chan

Back Row: Ms Winnie Ng (Secretary General) Dr Carrie Willis, SBS, JP Mr Wilfred Wong Kam-pui Mr Pang Yiu-kai, SBS, JP Prof Suen Wing-chuen Mr Joseph Lo Mr Hubert Law (Assistant Secretary General)

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Chapter 1

Introduction

1.1 Since its establishment in 1979, the Standing Commission on Civil Service Salaries and Conditions of Service has been advising the Chief Executive on the principles and practices governing pay, conditions of service and salary structure of non-directorate civil servants, other than judicial officers and disciplined services staff. The Commission provides independent advice and makes recommendations to the Chief Executive, after taking into full account relevant factors and views expressed by the parties concerned. The Commission's terms of reference are at **Appendix A**.

1.2 This is our fifty-first report. It gives an account of our major undertakings in 2013. During the year, we held three Commission meetings, four staff consultation meetings and three briefings in relation to the 2013 Pay Level Survey, and three informal meetings with the civil service staff councils/associations.

1.3 The Commission's membership in 2013 is at **Appendix B**. All ten Commission Members are non-officials appointed in their personal capacity by the Chief Executive. We would like to record our heartfelt gratitude to Dr Miranda Chung, the Honourable Jeffrey Lam, GBS, JP and Mr Pang Yiu-kai, SBS, JP, who retired after six years of dedicated service at the end of 2013. We also welcome Mr T C Chan, BBS, JP, Mr Lee Luen-fai and the Honourable Tony Tse, who have been appointed to the Commission with effect from January 2014.

1.4 On staffing, Ms Winnie Ng took over from Mr Patrick Li, JP, as Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (the Joint Secretariat) in June 2013. We wish to record our thanks to Mr Li for his contribution to the Commission during his tenure with the Joint Secretariat.

1.5 We would like to thank Mr Paul Tang, JP, Secretary for the Civil Service, and his staff for their assistance and co-operation. Our appreciation also goes to the staff of the Joint Secretariat for their support during the year.

Chapter 2

2013 Pay Level Survey

2.1 As set out in our Report No. 50 “Report 2012”, the Commission accepted the Administration’s invitation to conduct the 2012 Starting Salaries Survey (SSS) and the Pay Level Survey (PLS) in January 2012. The Commission also considered it prudent to determine the appropriate reference date for the PLS nearer the time of commencement of fieldwork. Following completion of the 2012 SSS in December 2012, the PLS was the focus of the Commission’s work in 2013.

2.2 The PLS is an important component of the *Improved Civil Service Pay Adjustment Mechanism*¹ and also the foundation to determine broad comparability of civil service pay with private sector pay. The Commission has appointed Aon Hewitt (the Consultant) to, among others, offer professional advice on the PLS, propose the methodology and conduct the pay comparison survey.

Consultation with Stakeholders

Staff Consultation

2.3 The Commission remained firmly of the view that staff consultation is crucial to the smooth conduct of the PLS. Further to the consultation session with the Staff Sides of the four Central Consultative Councils² and the four major service-wide staff unions³ on the proposed framework for the PLS in April 2012, the Commission has continued to engage staff bodies in various key steps of the survey. Consultation meetings and briefing sessions were held, as follows –

¹ Under the *Improved Civil Service Pay Adjustment Mechanism* approved by the Chief Executive-in-Council in May 2007, the six-yearly PLS, the three-yearly SSS and the annual Pay Trend Survey are conducted to maintain broad comparability between civil service pay and private sector pay.

² The four Central Consultative Councils are the Senior Civil Service Council, the Model Scale 1 Staff Consultative Council, the Police Force Council and the Disciplined Services Consultative Council.

³ The four major service-wide staff unions include the Government Employees Association, the Hong Kong Civil Servants General Union, the Hong Kong Federation of Civil Service Unions and the Government Disciplined Services General Union.

- (a) Four consultation meetings were held with representatives of the aforesaid staff bodies to exchange views on the proposed detailed methodology including the scope, reference date and survey field for the PLS in February, March, April and October 2013.
- (b) Three briefing sessions were held with the grade/departmental management of Government bureaux/departments, the Departmental Consultative Committees and the staff unions/associations in February 2013 to brief them on the proposed detailed methodology; and their comments were invited from February to March 2013.

Proceeding of Meetings

2.4 As the Administration will separately consult the Standing Committee on Disciplined Services Salaries and Conditions of Service (SCDS) and the Standing Committee on Directorate Salaries and Conditions of Service (Directorate Committee) on the application of survey findings to the disciplined services and the directorate grades of the civil service respectively, the Commission has engaged the SCDS and the Directorate Committee by inviting them to each nominate a member as an observer in the Commission's relevant proceedings. The SCDS nominated Professor Richard Ho, and the Directorate Committee nominated Mr Stanley Wong, SBS, JP, as the observers respectively.

The Survey

Methodology

2.5 With reference to the methodology for the 2006 PLS and the relevant stakeholders' comments received during the consultation period, the Consultant recommended the continued adoption of the broadly-defined Job Family-Job Level (JF-JL) method as used in the 2006 PLS. Under this

method, civil service benchmark jobs⁴ in the civilian grades on the Master Pay Scale and the Model Scale 1 Pay Scale are categorised into five JFs and five JLs based on their broad nature and general level of responsibility respectively, for matching with broadly comparable counterparts in the private sector in terms of job content, work nature, level of responsibility, and typical requirements on qualification and experience. The proposed methodology was endorsed by the Commission in April 2013.

Job Inspection Process on Civil Service Jobs

2.6 Under the broadly-defined JF-JL methodology, an intensive job inspection process was carried out by the Consultant to ascertain details of the job characteristics of civil service benchmark jobs, with a view to facilitating proper identification of job matches from the private sector. A total of 221 interviews were conducted by the Consultant with participation of over 1 500 staff representatives in June and July 2013. Taking into account the views expressed during the consultation period and the job inspection process, the Consultant put forth its proposals on the list of civil service benchmark jobs for the Commission's consideration. The Commission subsequently endorsed a list of 190 civil service benchmark jobs as the basis for proceeding with the fieldwork.

Reference Date

2.7 The Consultant examined various options for the reference date, having regard to factors such as currency of data, overall schedule of the PLS, participation of private sector organisations, market practice, etc. After weighing the pros and cons of different options, and with the impact of the revised rate of the Statutory Minimum Wage (SMW) fully considered, the Consultant recommended 1 October 2013 as the survey reference date. After taking into account the Consultant's analysis and majority view of the staff representatives expressed at the consultation meeting, the Commission decided to set the reference date of the PLS on 1 October 2013.

Fieldwork

2.8 The Consultant has commenced the fieldwork in November 2013. Invitations were sent to the list of 447 potential organisations in the

⁴ Civil service benchmark jobs are selected having regard to, among others, their establishment size and availability of broadly comparable jobs in the market.

survey field, and three briefing sessions were conducted by the Consultant for the invited organisations in November 2013 to encourage their participation.

Next Steps

2.9 The Commission attaches great importance to the conduct of this major survey. Looking ahead, the Commission will formulate a framework for applying the survey results to the non-directorate civilian grades in consultation with the staff bodies, consider the findings to be submitted by the Consultant upon completion of the fieldwork, and present its recommendation on the 2013 PLS to the Administration.

Chapter 3

Informal Meetings with Civil Service Staff Bodies and Other Activities

Liaison with the Major Civil Service Staff Bodies

Background

3.1 Since 1992, the Commission has held regular informal meetings with the Staff Sides of the Senior Civil Service Council (SCSC) and the Model Scale 1 Staff Consultative Council, the two Central Consultative Councils of the Government in respect of the civilian grades. The Staff Side of the SCSC is made up of the Association of Expatriate Civil Servants of Hong Kong, the Hong Kong Chinese Civil Servants' Association and the Hong Kong Senior Government Officers Association. In order to canvass a wider spectrum of views, the Commission decided in 1996 to meet also three major confederation-type unions not represented on the SCSC, viz. the Government Employees Association, the Hong Kong Civil Servants General Union, and the Hong Kong Federation of Civil Service Unions. These meetings have proven to be very useful in keeping the Commission apprised of issues of topical concern to civil servants.

Major Development of Matters Discussed at Previous Meetings

3.2 We understand from the previous rounds of informal meetings that the provision of medical and dental benefits was a key concern to staff. As part of our follow-up actions after the last round of informal meetings, the Commission requested the Administration to advise on the actions taken in improving the provision of medical and dental benefits to civil service eligible persons (CSEPs). We were pleased to note that the Administration had allocated additional resources to improve the medical and dental benefits for CSEPs, and would continue to work closely with the relevant parties to make further improvements.

The Current Round of Informal Meetings

3.3 The Commission continued to maintain liaison with civil service staff bodies through informal meetings. At these meetings, we exchanged views with the staff bodies on, among others, the provision of medical and dental benefits, annual civil service pay adjustment, conditioned hours of work, implementation of five-day week, housing benefits, retirement age and succession in the civil service, allowances for civil servants and other issues relating to staff morale and civil service manpower. While recognising that the Administration had endeavoured to improve medical and dental benefits to CSEPs in the past years, the Commission also noted the staff representatives' view that apart from quantity, the quality of the services was equally important.

3.4 We found the exchange of views with the staff bodies very fruitful. Their views will be conveyed to the Administration for consideration and follow-up as appropriate.

Liaison with External Stakeholders

3.5 In the course of the year, the Commission and the Joint Secretariat maintained close contact with major interested private sector organisations to keep track of developments in the private sector and exchange views on civil service pay, conditions of service and pay surveys. For example, the Commission met with representatives from the Employers' Federation of Hong Kong, the Hong Kong Institute of Human Resource Management and the Hong Kong People Management Association to exchange views on the SSS findings and PLS methodology in January 2013 and March 2013 respectively.

Chapter 4

Pay Trend Survey System

4.1 The Pay Trend Survey (PTS) system aims to ascertain the year-on-year average movements in private sector pay. In accordance with the recommendations of the Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters, the Administration deducts the values of civil service increments at their payroll cost in the relevant year (expressed as a percentage of the total payroll cost for each salary band) from the gross pay trend indicators (PTIs) to produce the net PTIs. Having regard to the net PTIs derived from the PTSs and other pertinent considerations, namely, the state of the economy of Hong Kong, the Government's fiscal position, changes in the cost of living, pay claims of the Staff Sides and civil service morale, the Chief Executive-in-Council decides on the specific rates of adjustment for civil service pay.

Pay Trend Survey Committee

4.2 The Pay Trend Survey Committee (PTSC) is an independent committee established by the Administration on the Standing Commission's advice in 1983. Its Chairman and Alternate Chairman are nominated from Members of the Commission. Mr Wilfred Wong Kam-pui and Dr Carrie Willis, SBS, JP have been the Chairman and Alternate Chairman of the PTSC respectively since August 2012 and January 2013. The PTSC also comprises representatives of the SCDS, the Administration and the Staff Sides. Its composition is at [Appendix C](#).

4.3 The main function of the PTSC is to commission the annual PTS, analyse the results of the survey, ensure that the agreed criteria for the interpretation of the data collected have been properly applied and agree on its results. The PTSC is the only and final authority for the conduct of the PTS. Once the findings of a PTS have been agreed, neither the PTSC nor the Commission is involved in any way in subsequent discussions between the Administration and the Staff Sides on any pay adjustment based on the survey results. The PTSC held six meetings in 2013.

4.4 In tendering advice to the Administration on the methodology for the PTS, the Standing Commission will, as prescribed by its terms of reference, have regard to the recommendations of the PTSC.

Pay Survey and Research Unit

4.5 The fieldwork of the PTS is conducted by the Pay Survey and Research Unit (PSRU), which is an independent unit under the Joint Secretariat. The PSRU collects information from companies/organisations in the survey field as approved by the PTSC on changes in basic salaries and additional payments relating to cost of living, general prosperity and company performance, general changes in market rates, inscale increments and merit during the survey period. These data are analysed to produce gross PTIs for three different salary bands. The findings are then presented to the PTSC for validation and agreement.

The Improved Methodology of the Pay Trend Survey

4.6 Starting from 2007, the PTS has adopted an improved methodology as approved by the Chief Executive-in-Council in March 2007. Under the improved methodology, the survey field is broadened to cover larger companies (with 100 or more employees) and smaller companies (with 50 to 99 employees) in order to enhance the representativeness and credibility of the PTS. To complement the broadening of survey field, the data consolidation method is modified to ensure that the data from smaller companies with 50 to 99 employees are suitably represented.

4.7 Since the 2008 PTS, a technical refinement in data collection has been adopted to facilitate future assessment on the feasibility of aligning the methodologies for the PLS and the PTS. Under the arrangement, five salary bands as adapted from the PLS are used for data collection, while the existing three-band system is maintained for data consolidation and calculation of PTIs.

4.8 In the 2012 PTS, an exclusion category was added to exclude employees affected by SMW, which came into effect on 1 May 2011. The approach to exclude SMW-affected employees continued to be adopted in the 2013 PTS.

The 2013 Pay Trend Survey

4.9 The 2013 PTS, commissioned by the PTSC in January 2013, was conducted between February and May 2013. It followed the improved PTS methodology with the technical refinement in data collection and the addition of an exclusion category to exclude employees affected by SMW.

4.10 A total of 109 companies, comprising 82 larger companies (75%) and 27 smaller companies (25%), participated in the 2013 PTS. The PSRU collected information on pay adjustments in these 109 companies (comprising 180 253 employees) over the 12-month period from 2 April 2012 to 1 April 2013 and analysed the data in accordance with the improved methodology. The survey findings were released on 15 May 2013 and considered and validated by the PTSC on 22 May 2013. A summary of the results of the survey is at **Appendix D**.

4.11 With the approval of the Acting Chief Executive-in-Council in June 2013 and the funding support of the Finance Committee of the Legislative Council in July 2013, the 2013-14 civil service pay adjustment took retrospective effect from 1 April 2013. The approved salary increases were 2.55% for civil servants in the upper salary band and 3.92% for those in the middle/lower salary bands. The revised pay scales relevant to the Commission's purview are shown at **Appendix E**.

Review of Survey Methodology

4.12 It has been an established practice for the PTSC, as assisted by the PSRU, to conduct a review of the PTS methodology and submit its recommendations to the Standing Commission before the conduct of the next PTS. The PTSC kick-started the review in June 2013 and completed it in January 2014.

4.13 This year, in response to comments of PTSC members, the PTSC paid particular attention to the treatment of new recruits and the concern about companies selectively joining and opting out of the surveys. A summary of the PTSC's key recommendations is at **Appendix F**.

4.14 The PTSC's considerations and recommendations on these two issues are summarised in paragraphs 4.15 to 4.18 below.

New Recruits

4.15 New recruits are currently included in the PTS for the calculation of PTIs. The PTSC noted that some of the new recruits were not awarded pay adjustment during the year due to company policy. Under the PTS methodology, only adjustment of basic salary made on account of the five pay-trend-related factors (i.e. cost of living; general prosperity and company performance; general changes in market rates; and inscale increment and merit) should be included in the calculation of PTIs. Given that the freeze in pay adjustment for these new recruits was due to company policy rather than the pay-trend-related factors, it would be justifiable in principle to exclude these employees from the survey. This was also found to be consistent with the professional and market practice of human resource institutions and consultant firms.

4.16 At the same time, having considered factors such as the data points that would be lost, the uncertainty concerning the extent and distribution of such data, and the need to effect any change in a prudent manner to maintain consistency and uphold credibility of the PTS, the PTSC recommended in 2012 to maintain the status quo for the 2013 PTS, i.e. new recruits should continue to be included in the survey, while participating companies should be requested to provide more detailed information on new recruits to facilitate a review to be conducted after the completion of the 2013 PTS. The recommendation was endorsed by the Commission last year and accepted by the Administration.

4.17 In the 2013 PTS, according to the information collected from the participating companies, new recruits accounted for about 5% of the total surveyed population. Having considered the impact on the number of data points, the professional and market practice, as well as the impact on the PTI, the PTSC recommended the exclusion of new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy starting from the 2014 PTS.

Companies' Participation in the Pay Trend Survey

4.18 To address some PTSC members' concern about companies selectively joining and opting out of the PTS in a particular year, the PTSC recommended not to invite a company to join the survey for the next two years if it opts out of the survey in the current year without justifiable reasons.

Other Aspects

4.19 The PTSC further recommended that the status quo be maintained for the other aspects of the PTS.

The Commission's Views on the Review of PTS Methodology

4.20 Although the PTSC's recommendations were not discussed by the Commission within 2013, the Commission's deliberation at its meeting in January 2014 is set out in the ensuing paragraph to give a full account of the current round of review in this Report.

4.21 The Commission supported the PTSC's recommendations that new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy should be excluded, and that a company should not be invited to join the survey for the next two years if it opts out of the survey in the current year without justifiable reasons; while the other aspects of the 2013 PTS methodology should be adopted for the 2014 PTS. We also supported the PTSC's continued efforts to keep under review the various aspects of the methodology. A copy of our letter dated 24 January 2014 tendering advice to the Administration on the review of the PTS methodology is at **Appendix G**.

Chapter 5

Future Programme of Work

5.1 As mentioned in Chapter 2, the Commission has accepted the Administration's invitation to conduct the 2013 PLS and advise how the findings of the survey should be applied to the non-directorate civilian grades under the *Improved Civil Service Pay Adjustment Mechanism*. The PLS was in full swing in 2013. Our efforts in 2014 will mainly focus on this survey.

5.2 We shall continue to carry out our responsibilities under the Commission's terms of reference and tender advice on any proposals from the Administration for changes to the pay and conditions of service for individual grades or for the civil service as a whole. We shall also keep the methodology of the PTS under review to ensure that the data collected are as credible as possible.

5.3 As in the past, we shall maintain our contact with the major civil service staff bodies and interested private sector organisations to ensure that we keep abreast of developments relating to the discharge of our duties and responsibilities.

Standing Commission on Civil Service Salaries and Conditions of Service

Terms of Reference

I. To advise and make recommendations to the Chief Executive in respect of the non-directorate civil service, other than judicial officers and disciplined services staff, on :

- (a) the principles and practices governing grade, rank and salary structure;
- (b) the salary and structure of individual grades;
- (c) whether overall reviews of pay scales (as opposed to reviews of the salary of individual grades) should continue to be based on surveys of pay trends in the private sector conducted by the Pay Survey and Research Unit, or whether some other mechanisms should be substituted;
- (d) the methodology for surveys of pay trends in the private sector conducted by the Pay Survey and Research Unit, subject to advice under I(c) and having regard to the advice of the Pay Trend Survey Committee;
- (e) matters relating to those benefits, other than salary, which the Commission advises as being relevant to the determination of the civil service remuneration package, including the introduction of new benefits or proposed changes to existing benefits;
- (f) suitable procedures and machinery to enable staff associations and staff to discuss with management their views on matters within the terms of reference of the Commission;
- (g) the circumstances in which it would be appropriate for the Commission itself to consider any issue, and how staff associations and management might present their views to the Commission in such circumstances; and
- (h) such matters as the Chief Executive may refer to the Commission.

II. The Commission shall keep the matters within its terms of reference under continuing review, and recommend to the Chief Executive any necessary changes.

III. The Commission shall give due weight to any wider community interest, including financial and economic considerations, which in its view are relevant.

IV. The Commission shall give due weight to the need for good staff relations within the Civil Service, and in tendering its advice shall be free to make any recommendations which would contribute to this end.

V. In considering its recommendations and advice, the Commission shall not prejudice the 1968 Agreement between the Government of the Hong Kong Special Administrative Region and the Main Staff Associations (1998 Adapted Version).

VI. The staff associations making up the Staff Side of the Senior Civil Service Council and the Model Scale 1 Staff Consultative Council may jointly or individually refer matters relating to civil service salaries or conditions of service to the Commission.

VII. The heads of departments may refer matters relating to the structure, salaries or conditions of service of individual grades to the Commission.

VIII. The Commission shall not consider cases of individual officers.

IX. The Commission may wish to consider in the light of experience whether changes in its composition or role are desirable.

X. In carrying out its terms of reference, the Commission should ensure that adequate opportunities are provided for staff associations and management to express their views. The Commission may also receive views from other bodies which in its view have a direct interest.

Membership of the Commission in 2013

Chairman

Dr Wilfred Wong Ying-wai, SBS, JP

Members

Mr Owen Chan Shui-shing, JP

Miss Elaine Chan Wing-yi

Dr Miranda Chung Chan Lai-foon

The Honourable Jeffrey Lam Kin-fung, GBS, JP

Mr Joseph Lo Kin-ching

Mr Pang Yiu-kai, SBS, JP

Professor Suen Wing-chuen

Dr Carrie Willis Yau Sheung-mui, SBS, JP

Mr Wilfred Wong Kam-pui

Composition of the Pay Trend Survey Committee

Members

Two Members of the Standing Commission on Civil Service Salaries and Conditions of Service, one as Chairman and the other as Alternate Chairman

Up to two Representatives of the Standing Committee on Disciplined Services Salaries and Conditions of Service

Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service

Two Representatives of the Administration

Three Staff Side Representatives of the Senior Civil Service Council

Three Staff Side Representatives of the Model Scale 1 Staff Consultative Council

Two Staff Side Representatives of the Police Force Council

Two Staff Side Representatives of the Disciplined Services Consultative Council

Observers

Three Staff Side Representatives of the Senior Civil Service Council

Three Staff Side Representatives of the Model Scale 1 Staff Consultative Council

A Management Side and two Staff Side Representatives of the Police Force Council

Three Staff Side Representatives of the Disciplined Services Consultative Council

Summary of the 2013 Pay Trend Survey

Introduction

Pay Trend Surveys (PTSs) yield information on the general movements of pay in the private sector over a given period. They are not concerned with the comparison of pay levels for specific occupational groups. Prior to 1983, PTSs were undertaken by the then Pay Investigation Unit, under the auspices of a Steering Committee of the Senior Civil Service Council. The Pay Survey and Research Unit (PSRU) was established in December 1982 and the Pay Trend Survey Committee (PTSC) shortly after. The 2013 PTS was the 36th of its kind.

Survey Period

2. The survey covered a 12-month period from 2 April 2012 to 1 April 2013.

Participating Companies

3. A total of 109 companies took part in the survey including 82 larger companies (with 100 or more employees) and 27 smaller companies (with 50 to 99 employees) in the ratio of 75 : 25. The pay data of their 180 253 employees were used in the calculation of the 2013 gross pay trend indicators (PTIs).

Data Collection

4. Following the adoption of a technical refinement to the improved methodology for the PTSs (the methodology was endorsed by the Chief Executive-in-Council in March 2007), data collection in the 2013 PTS was based on five salary bands by subdividing the middle and upper salary bands into two bands while keeping the lower salary band intact. The classification was as follows –

- | | | |
|-----|--|--------------------------------|
| (a) | <u>Lower Salary Band</u>
(below MPS ¹ Point 10) | below \$17,835 per month |
| (b) | <u>Middle Salary Band (I)</u>
(MPS Points 10 to 23) | \$17,835 – \$34,575 per month |
| (c) | <u>Middle Salary Band (II)</u>
(above MPS Point 23 to Point 33) | \$34,576 – \$54,665 per month |
| (d) | <u>Upper Salary Band (I)</u>
(above MPS Point 33 to Point 44) | \$54,666 – \$84,290 per month |
| (e) | <u>Upper Salary Band (II)</u>
(above MPS Point 44 to
GDS(O) ¹ Point 39) | \$84,291 – \$109,365 per month |

5. Data collection commenced in February 2013 and ended in May 2013. Questionnaires with guidance notes were sent to participating companies for completion. The staff of the PSRU followed up by field visits or telephone discussions. The companies were asked to provide data on changes in basic salaries and additional payments other than those relating to fringe benefits.

6. Information collected for the survey was recorded in individual company statements, after their accuracy had been confirmed by the company concerned. Strict confidentiality was observed in the handling of company data which were made non-attributable in survey reports, so as to preserve the anonymity of the participating companies.

Survey Findings

7. The PSRU analysed the company data in accordance with the approved methodology and presented its findings to the PTSC on 15 May 2013. Taking into account only those adjustments which related to the cost of living, general prosperity and company performance, general changes in market rates, inscale increment and merit, the following pay

¹ MPS denotes Master Pay Scale; GDS(O) denotes General Disciplined Services (Officer) Pay Scale.

adjustments had been made in the surveyed companies during the period from 2 April 2012 to 1 April 2013 –

(a)	Lower Salary Band (below \$17,835 per month)	+ 5.30%
(b)	Middle Salary Band (\$17,835 to \$54,665 per month)	+ 4.79%
(c)	Upper Salary Band (\$54,666 to \$109,365 per month)	+ 3.38%

8. The Committee met on 22 May 2013 to verify and consider validating the 2013 PTS findings. The two representatives of the Commission, the representative of the Standing Committee on Disciplined Services Salaries and Conditions of Service, the two representatives of the Administration, the Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, the three Staff Side representatives of the Model Scale 1 Staff Consultative Council, and two Staff Side representatives of the Senior Civil Service Council accepted the survey findings. One Staff Side representative of the Senior Civil Service Council accepted the survey findings with reservations. The two Staff Side representatives of the Disciplined Services Consultative Council accepted the survey findings with great reservations. The two Staff Side representatives of the Police Force Council did not agree to validate the survey findings. In line with the established practice, the PTSC submitted the Committee Report to the Administration for consideration together with PTSC members' views expressed at the validation meeting.

Pay Trend Indicators

9. The findings of the PTSs were known as the gross PTIs. In accordance with the recommendations of the Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters, the Administration, after deducting the values of civil service increments at their payroll cost, which were 1.38%, 0.87% and 0.83% respectively for the lower, middle and upper salary bands in 2013, arrived at the net PTIs as follows –

(a)	Lower Salary Band	+ 3.92%
(b)	Middle Salary Band	+ 3.92%
(c)	Upper Salary Band	+ 2.55%

**Civil Service Pay Scales Relevant to the Commission’s Purview
(with effect from 1 April 2013)**

<u>Master Pay Scale</u>		<u>Model Scale 1 Pay Scale</u>		<u>Craft Apprentice Pay Scale</u>	
<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>
49	103,190	13	13,745	4	9,360
48	99,605	12	13,475	3	8,580
47	96,150	11	13,195	2	7,755
46 (44B)	92,770	10	12,940	1	6,975
45 (44A)	89,565	9	12,685	0	6,580
44	86,440	8	12,445		
43	83,435	7	12,210		
42	80,000	6	11,975		
41	76,690	5	11,730		
40	73,525	4	11,495		
39	70,490	3	11,250		
38	67,370	2	11,020		
37	64,410	1	10,780		
36 (33C)	61,500	0	10,555		
35 (33B)	58,775				
34 (33A)	57,275				
33	56,810				
32	54,265				
31	51,825				
30	49,495				
29	47,290				
28	45,155				
27	43,120				
26	41,195				
25	39,345				
24	37,625				
23	35,930				
22	34,315				
21	32,760				
20	31,200				
19	29,720				
18	28,315				
17	26,985				
16	25,685				
15	24,450				
14	23,285				
13	22,165				
12	20,905				
11	19,675				
10	18,535				
9	17,485				
8	16,425				
7	15,410				
6	14,460				
5	13,600				
4	12,745				
3	11,975				
2	11,235				
1	10,560				
0	9,930				

<u>Training Pay Scale</u>		<u>Technician Apprentice Pay Scale</u>	
<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>
16	24,390	4	11,840
15	23,225	3	10,795
14	22,110	2	9,755
13	21,145	1	8,975
12	19,850	0	8,420
11	18,215		
10	16,725		
9	15,750		
8	14,780		
7	13,880		
6	13,040		
5	12,225		
4	11,485		
3	10,795		
2	10,115		
1	9,510		

Summary of the Pay Trend Survey Committee's Recommendations on the Review of the Methodology of the Pay Trend Survey

A. Methodology

Statutory Minimum Wage (SMW)

- (a) The approach adopted in the 2012 and 2013 Pay Trend Surveys (PTSs) to exclude employees affected by SMW by excluding those earning SMW should be maintained.

Survey Field

- (b)
 - (i) Representativeness of smaller companies – the status quo, i.e. continuing to include smaller companies in the survey field, and maintaining the ratio of 75 : 25 between the number of larger and smaller participating companies with a flexibility of deviation of plus or minus five percentage points, should be maintained;
 - (ii) Guidelines for selection – the Pay Survey and Research Unit (PSRU) should provide more detailed information about the labour-related convictions of companies for Pay Trend Survey Committee's (PTSC) deliberation;
 - (iii) Companies' participation in the PTS – the PSRU would not invite a company to join the survey for the next two years if it opts out of the survey in the current year without justifiable reasons; and
 - (iv) Distribution of companies in the survey field – the existing incremental approach to address the over-representation of the "Financing, insurance, real estate" sector and the under-representation of the "Professional and business services" sector in the survey field should be continued, and new companies should be invited to participate in the 2014 PTS.

Salary Bands

- (c) The arrangement to collect data for both three and five salary bands, and consolidate data for PTI calculation based on three salary bands should be maintained. The practice of including the

composite PTI across all salary bands in the PTSC report to be submitted to the Administration should continue.

New Recruits

- (d) New recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy should be excluded from the survey.

Components of Pay Adjustment

- (e)
 - (i) Inscale increment in the private sector – the status quo, i.e. to collect pay data in relation to inscale increment, should be maintained; and
 - (ii) Companies awarding other forms of payments in lieu of basic salary and/or additional payments – the existing practice of excluding long-term incentive awards from the calculation of PTIs should be maintained.

Companies with Wide Fluctuation of Additional Payment

- (f) The PSRU would continue to provide additional information at the meeting prior to distribution of the Controller’s Report for PTSC members’ consideration.

B. Operational Measures

- (a) New recruits – a new exclusion category would be added to exclude new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy.
- (b) Components of pay adjustment –
 - (i) Inscale increment in the private sector – the PSRU will request participating companies to provide more detailed information on inscale increment in the context of the 2014 PTS; and
 - (ii) Companies awarding other forms of payments in lieu of basic salary and/or additional payments – the PSRU will enhance the survey guidance notes by incorporating “replacement of basic salary and/or additional payments by allowances” as an example of a significant change in salary structure.

- (c) Companies reporting an average rate of basic salary adjustment and/or average level of additional payment for all employees – the PSRU will continue to urge companies to provide breakdown by salary band and employee category, seek clarifications from them, and report to the PTSC where companies reporting the same rate for basic salary adjustment and/or the same level of additional payment across all salary bands (and employee categories), before the submission of the Controller’s Report.
- (d) Opening and transposing of data – the PSRU will maintain the status quo and continue to provide the additional information required to enhance transparency of the process before the submission of the Controller’s Report and facilitate PTSC members’ consideration of the survey findings, and keep the PTS process under review for further improvements.

公務員薪俸及服務條件常務委員會
Standing Commission on Civil Service Salaries and Conditions of Service

本會檔號 Our Ref.: JS/SC6/PIU/10 Pt.18

尊函檔號 Your Ref.: CSBCR/PG/4-085-001/72

24 January 2014

Mr Tang Kwok-wai, Paul, JP
Secretary for the Civil Service
9th Floor, West Wing
Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Paul,

Review of the Methodology of the Pay Trend Survey

I am writing on behalf of the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) to offer our advice, under Clause I(d) of our terms of reference, on the methodology of the Pay Trend Survey (PTS).

Background

Since 2007, the conduct of the PTS has been based on the improved methodology as approved by the Chief Executive-in-Council in March 2007. A technical refinement was introduced in the 2008 PTS to facilitate assessment on the feasibility of aligning the methodologies of the PTS and the Pay Level Survey (PLS). Under the arrangement, five salary bands as adapted from the PLS are used for data collection while three salary bands are maintained for data consolidation and calculation of the Pay Trend Indicators (PTIs). Since 2012, an exclusion category has been added to exclude employees affected by Statutory Minimum Wage (SMW).

Overall Comments

In keeping with the established practice, the Pay Trend Survey Committee (PTSC) has conducted a review of the various aspects of the PTS methodology after the completion of the 2013 PTS and submitted a report to the Standing Commission. This year, various staff representatives have submitted written comments on the PTS methodology to the PTSC. All their comments have been discussed and studied in the PTSC. In response to comments of PTSC members, the Standing Commission paid particular attention to the treatment of new recruits and the concern about companies selectively joining and opting out of the surveys.

The PTSC recommended that new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy should be excluded from the survey. It also recommended that a company should not be invited to join the survey for the next two years if it opts out of the survey in the current year without justifiable reasons. The PTSC has further recommended that the status quo be maintained for the other aspects of the PTS. The Standing Commission considered and supported the above recommendations at its meeting held on 24 January 2014. The considerations and recommendations on various aspects of the PTS methodology are summarised in the ensuing paragraphs.

Statutory Minimum Wage

In the 2012 PTS, the PTSC agreed to exclude all SMW-affected data points by excluding employees earning SMW. This approach was reaffirmed by the PTSC and adopted again in the 2013 PTS. Having regard to the relatively small number of employees earning SMW as reported in the 2012 and 2013 PTSs, and considering that using the SMW hourly rate as a yardstick to exclude data points affected by SMW did not pose any difficulties to the companies, we support the PTSC's recommendation to continue the existing approach for the 2014 PTS.

Survey Field

Representativeness of smaller companies

The 2013 PTS was the seventh year that smaller companies (with 50 to 99 employees) were included in the survey field, alongside larger companies (with 100 or more employees), in the ratio of 25 : 75, with the

flexibility of a deviation of around plus/minus 5 percentage points. The inclusion of smaller companies has enhanced the credibility and representativeness of the PTS. The PTSC took note that calculation merely based on the number of data points would not reflect the situation of smaller companies due to the large difference in the number of data points between larger and smaller companies. Instead, a gross-up factor was drawn up with reference to the 75:25 ratio and applied to the pay data of the companies in order to better reflect the distribution of private sector employees in larger and smaller companies. We support the PTSC's recommendation to maintain the status quo and understand that the PTSC would keep monitoring the situation.

Guidelines for selection

We note the PTSC's concern about labour-related conviction records of participating companies, and support the PTSC's recommendation that the Pay Survey and Research Unit (PSRU) should provide more detailed information about the labour-related convictions of companies for PTSC's deliberation.

Companies' participation in the PTS

We note the PTSC's concern that participating companies might selectively join and opt out of the surveys, and support the PTSC's recommendation not to invite a company to join the survey for the next two years if it opts out of the survey in the current year without justifiable reasons.

Distribution of companies in the survey field

With the adoption of the 9-sector classification since the 2011 PTS, the previous "Financing, insurance, real estate, professional and business services" sector was split into the "Financing, insurance and real estate" ("F") sector and the "Professional and business services" ("P") sector. After the split, there was a notable over-representation of the "F" sector and under-representation of the "P" sector in the survey field. For consistency and comparability with previous PTSs, the PTSC adopted an incremental approach since the 2011 PTS to address the under-representation and over-representation of the economic sectors gradually over a longer period of time. The PTSC noted there would be risks associated with an alternative approach to bring the representation level of the economic sectors in line with the actual distribution of Hong Kong's economically active population within a shorter period. Having regard to the above considerations, we support the PTSC's recommendation to continue the existing incremental approach to address the over-representation and under-representation of the economic

sectors in the survey field.

We noted that the number of companies included in the calculation of PTI from the survey field varied from year to year. To replenish the number of companies and data points of the survey due to the wastage during the conduct of the survey, new companies were included to maintain the consistency and comparability of PTSs. We support the PTSC's recommendation to continue to invite new companies to participate in the 2014 PTS.

Salary Bands

We support the PTSC's recommendation to maintain the status quo for the 2014 PTS, i.e. to collect data for both three and five salary bands based on the existing demarcation, and consolidate data for PTI calculation based on three salary bands. We understand that the PTSC would continue the practice of including the composite PTI across all salary bands in the PTSC report to be submitted to the Administration.

New Recruits

Last year, we supported the PTSC's recommendation that new recruits should continue to be included in the 2013 PTS and more detailed information on new recruits would be collected from the participating companies to facilitate a review after the completion of the 2013 PTS.

We note that new recruits accounted for about 5% of the total surveyed population in the 2013 PTS. Having considered the impact on the number of data points, the professional and market practice, as well as the impact on the PTI, we support the PTSC's recommendation to exclude new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy starting from the 2014 PTS, and to include a new exclusion category to paragraph 7(g) of the PTS methodology to exclude these new recruits. We also support that new recruits who are awarded pay adjustment on a pro-rata basis should be included in the survey as such pay adjustment would be relevant to the pay-trend-related factors of the PTS.

Components of Pay Adjustment

Inscale increment in the private sector

We support the PTSC's recommendation to maintain the status quo, and request participating companies to provide more detailed information on inscale increment for future reference.

Companies awarding other forms of payments in lieu of basic salary and/or additional payments

It has been a long-established practice that long-term incentive awards (LTIs), such as shares, warrants and share options, are excluded from the calculation of PTIs. We support the PTSC's recommendation that the status quo be maintained, i.e. LTIs should continue to be excluded from the PTI calculation and that the PSRU should continue to collect information on LTIs in lieu of additional payments in the annual PTS for Members' reference.

We note that there was concern that companies might replace basic salary and / or additional payment by allowances or other forms of rewards, such as free air tickets and free travel passes, etc. The replacement of basic salary and / or additional payment by allowances should constitute significant changes in pay composition. We understand that under the existing practice, such cases would be reported for PTSC's consideration at the meeting prior to the distribution of Controller's report (Pre-meeting). We support the PTSC's recommendation to enhance the PTS guidance notes to facilitate companies' reporting of cases with significant changes in salary structure, including the replacement of basic salary and / or additional payments by allowances, for PTSC's consideration at the Pre-meeting.

Companies with Wide Fluctuation of Additional Payment

Noting that the annual PTS is carried out to measure the average year-on-year pay movements of full-time employees in the private sector over a twelve-month survey period and that having a wide fluctuation of additional payment has not been a reason for retention or exclusion of companies from the survey, we support the PTSC's recommendation to maintain the status quo for the 2014 PTS under which additional information, without disclosure or inference of pay data, will be provided at the Pre-meeting for the PTSC's consideration.

Conclusion

In conclusion, we support the PTSC's recommendation that new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy should be excluded and that a company should not be invited to join the survey for the next two years if it opts out of the survey in the current year without justifiable reasons, while the other aspects of the 2013 PTS methodology should be adopted for the 2014 PTS. We also support the PTSC's continued efforts to keep under review the various aspects of the methodology.

The Standing Commission is concerned that some constituent associations of the staff side members have announced withdrawal from the PTSC. We understand that the Administration has been maintaining dialogue with them with a view to securing their continued participation in the PTSC. We sincerely hope that they will continue to support and actively participate in the work of the PTSC.



(Wilfred Wong Ying-wai)
Chairman

