

STANDING COMMISSION ON CIVIL SERVICE
SALARIES AND CONDITIONS OF SERVICE

REPORT No. 59

REVIEW ON
CIVIL SERVICE
PAY LEVEL SURVEY AND
STARTING SALARIES
SURVEY

CHAIRMAN

DR WILFRED WONG YING-WAI, GBS, JP

DECEMBER 2018

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

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17 December 2018

The Honourable Mrs Carrie Lam Cheng Yuet-ngor, GBM, GBS
The Chief Executive
Hong Kong Special Administrative Region
People's Republic of China

Dear Madam,

At the invitation of the Government, the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) has conducted a review on Civil Service Pay Level Survey and Starting Salaries Survey.

On behalf of the Standing Commission, I have the honour to submit our Report No. 59: Review on Civil Service Pay Level Survey and Starting Salaries Survey which contains our findings and recommendations.

Yours faithfully,



(Wilfred Wong Ying-wai)
Chairman
Standing Commission on Civil Service
Salaries and Conditions of Service

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Contents

Summary of Conclusions and Recommendations

Chapter		Page
1	Introduction	1
2	Scope of the Review	5
3	Pay Level Survey Methodology	9
4	Starting Salaries Survey Methodology	26
5	Application of Survey Findings	34
6	Frequency for the Conduct of the Surveys	37
7	Specific Study on Qualification Group 8 (Degree and Related Grades)	42
8	Research on Civil Service Pay Arrangements in Overseas Countries	50
9	Acknowledgements	53
Appendix		
A	Terms of reference of the Commission	54
B	Membership of the Commission	57

C	The delineation of five Job Levels and three salary bands in respect of civil service pay scales in the Pay Level Survey and the Pay Trend Survey	58
D	The existing five Job Family categorisation in the Pay Level Survey and the alternative six or eight Job Family categorisations	59
E	Eight Job Family categorisation adopted in the Starting Salaries Survey	60

Summary of Conclusions and Recommendations

	Paragraph
Pay Level Survey (PLS) Methodology	
(1) Having evaluated various alternatives for job comparison in the PLS, the Standing Commission on Civil Service Salaries and Conditions of Service (the Commission) considers that the existing broadly-defined Job Family-Job Level (JF-JL) method remains the most appropriate one for ensuring a broad comparability of the civil service pay and the private sector pay and recommends its continued adoption.	3.2 – 3.6
(2) The Commission has examined if there is a sufficient case for aligning the number of JLs for the PLS with the number of salary bands for the Pay Trend Survey. With full regard to the very purpose of conducting the PLS, the Commission considers that the five JL categorisation remains the most appropriate arrangement because it fares better than the three JL categorisation in terms of data precision and specificity in the result application. The Commission therefore recommends the continued adoption of the five JL categorisation.	3.10 – 3.12
(3) Having balanced the need to achieve greater precision in job comparison on the one hand, and the risk of failing to obtain sufficient data in some of the JF-JL combinations on the other, the Commission considers that the existing five JF approach, or the six JF approach, are more practical options compared with the eight JF approach. As the six JF	3.13 – 3.14

Paragraph

- approach will slightly enhance the precision of job comparison than the five JF approach, and as advised by the Consultant that it is a feasible and practical option, the Commission recommends using six JFs in the next PLS as a measure of enhancement.
- (4) The Commission recommends finetuning two selection criteria for civil service benchmark jobs so that grades with an establishment size of not less than 50 posts and single-rank grades will be included in future PLSs. For the rest of the selection criteria, the Commission considers them relevant and appropriate and recommends their continued adoption in the next PLS. 3.15 – 3.17
- (5) Having examined the findings and recommendations of the Consultant, the Commission recommends the continued exclusion of the Directorate Grades, the Disciplined Services Grades, the education and social welfare fields. For the medical and health care field, the Commission recommends that a brief study be conducted by the survey consultant of the next PLS to verify if the medical and health care field including the Hospital Authority and other large private medical and health care organisations continues to refer to the civil service pay scales or pay adjustments in pay determination before deciding if the medical and health care field should be excluded from the survey. 3.18 – 3.20
- (6) The Commission considers the selection criteria for surveyed organisations appropriate and recommends maintaining them. As a six JF categorisation is recommended for future PLSs, the Commission 3.21 – 3.23

Paragraph

recommends increasing the number of organisations to be surveyed from 70 – 100 to 100 – 130 to ensure that an adequate level of data sufficiency is maintained.

- (7) The Commission recommends, following the usual arrangement, the consultant of the next PLS to finalise the list of civil service benchmark jobs using the relaxed selection criteria after taking into account the latest establishment position and the Staff Sides' views before the actual commencement of field work. 3.24 – 3.25
- (8) The Commission recommends requesting participating private sector organisations to provide additional pay related data specifically targeted at entry-level positions in the questionnaire for future PLSs, enabling the enhanced PLS to provide broad indications as to whether the levels of pay for private sector entry-level positions as classified into different qualification groups (QGs) are generally in tandem with the benchmarks for the corresponding QGs in the civil service. These indications, however, will not be taken as a basis for consideration of any adjustment of starting salaries. 3.26
- (9) To further enhance transparency and quality assurance in job matching, the Commission recommends that participating private sector organisations be encouraged to provide duty lists of their jobs for matching with civil service benchmark jobs. The Commission also recommends that the survey consultant of the upcoming PLS be required to provide a detailed guide to the Staff Sides on the 3.27

- | | Paragraph |
|--|-------------|
| protocol and job matching procedures. | |
| (10) The Commission considers that an aligned survey date of 1 April would capture the more up-to-date pay information and help the application decisions and therefore recommends its adoption. The Commission agrees that before the onset of the next PLS, detailed arrangements could be determined after taking into account views from stakeholders including the Staff Sides. | 3.28 – 3.30 |
| (11) The Commission recommends continuing with the existing practices in data collection and consolidation for future PLSs. | 3.31 – 3.33 |

Starting Salaries Survey (SSS) Methodology

- | | |
|--|------------|
| (12) Having evaluated alternative methods for the purpose of job comparison, the Commission recommends the continued adoption of the QG-JF framework for the SSS. | 4.5 – 4.6 |
| (13) Having considered the latest position of QG 10 and QG 11, the Commission recommends that the basic ranks of these two QGs should continue to be excluded from the next SSS and that internal relativity be used in determining their starting salaries. | 4.7 – 4.12 |
| (14) The Commission notes the Staff Sides' comments that the entry requirements of certain ranks may no longer be in synchrony with the current market practice and their request for carrying out Grade Structure Review (GSRs) for the concerned grades. | 4.14 |

Paragraph

The Commission will convey these views to the Government. The Commission also notes the Government policy in relation to GSRs and that the Government has been handling requests for GSRs in accordance with the established policy.

- (15) The Commission recommends the continued adoption of eight JFs for the next SSS and, if necessary, that the consultant of the next SSS could review the JF categorisation having regard to the scope of the next survey. 4.15 – 4.17
- (16) The Commission considers the existing selection criteria for private sector jobs suitable in reflecting a broadly comparable pay indicator from the private sector and recommends their continued adoption in the next SSS. 4.18
- (17) The Commission recommends the continued adoption of the existing selection criteria for surveyed organisations in the next SSS. 4.19
- (18) The considerations and recommendations proposed for the survey reference date, the data collection and consolidation approaches for the PLS will also apply to the SSS. 4.20 and 4.22
- (19) The Commission recommends the continued adoption of the vetting criteria for data collection in the SSS which serves well in ensuring the data representation of the QG-JF combination. 4.21

Application of Survey Findings

- (20) The Commission considers that a pre-determined range would mandate a mechanical application of results, thereby limiting the degree of flexibility in the pay adjustment mechanism in taking into account relevant principles and considerations for meeting the needs of Hong Kong. Given that the market is highly dynamic and pay surveys only capture market information at a particular point in time, it would not be holistic to simply follow a single snapshot of the private sector pay in applying the findings of the pay survey without at the same time considering other factors. The Commission therefore does not recommend the use of a pre-determined range for a mechanical application of future survey results. 5.3 – 5.4
- (21) The Commission recommends that the holistic approach should continue to be adopted in considering the application of the results of the PLS and the SSS. 5.5 – 5.10

Frequency for the Conduct of the Surveys

- (22) The Commission, having regard to the objective of the PLS that it is to examine the levels of pay across the non-directorate civilian grades in the civil service, recommends that the PLS should continue to be conducted at a six-yearly interval. 6.2
- (23) The Commission has examined the pros and cons of the alternatives proposed by the Consultant for the frequency of conducting the SSS, including conducting the SSS (in alternation with the PLS) at a 6.3 – 6.11

six-yearly interval instead of triennially, or conducting the SSS as and when necessary in response to specific circumstances. The Commission considers the latter option, under which the Government can consider if a comprehensive SSS, or an SSS of a smaller ambit is warranted, after reviewing the broad indications as revealed by the PLS and the specific circumstances related thereto, more preferable. This option is supported by most of the Staff Sides and they request their engagement in the process of consideration. The Commission therefore recommends this option for consideration by the Government. If this option is adopted, the next PLS will be kickstarted in 2019.

Specific Study on Qualification Group 8 (Degree and Related Grades)

- (24) The Commission observes that the different remuneration practices of the private sector and the Government have contributed to the widening gap between the benchmark pay of QG 8 ranks and the pay of private sector degree graduate entry-level positions. Multiple factors contribute to the wide dispersion including the supply and demand for specific professional knowledge and skills, the large variety of roles offered to degree graduates, the different streams of jobs in the same organisation in the private sector and the different pay offered to degree graduates according to their calibre and abilities. 7.7 – 7.8
- (25) The Commission considers that due regard should be given to the inherent differences in human resources 7.13

Paragraph

- management practices between the private sector and the civil service when interpreting any pay differential recorded at the point of entry.
- (26) Given the pay difference caused by multiple factors and that qualification requirement is no longer the sole determining factor for pay of entry-level positions in the private sector, the Commission recommends that when an SSS covering QG 8 is conducted, the present holistic approach should continue to be adopted in interpreting survey results for degree graduates in the private sector and with greater flexibility in relation to the QG. The Commission also recommends that the feasibility of a more precise selection of private sector jobs for comparison with QG 8 ranks in the civil service should be explored before the survey commences. 7.15
- (27) The Commission recommends that the consultant of the next survey explore the relaxation of the vetting criteria for QG 4 (for example, from at least 15 surveyed organisations to ten) to include more private sector organisations. For QG 3 Group I, the Consultant expects the data insufficiency issues will persist in the future. The Commission notes that some Staff Sides consider the qualification and/or experience possessed by the civil service recruits of some of the ranks are different from and usually higher than the entry requirements and recommends that the Government further consider the issues identified in relation to the QG framework in the light of the findings of future pay surveys. 7.20

Research on Civil Service Pay Arrangements in Overseas Countries

- (28) The Commission does not see a strong reason for the Government to initiate fundamental changes to the management of the civil service solely for the purpose of following international practices. Other relevant factors should be taken into account in addition to findings of pay surveys in determining pay adjustments. 8.5
- (29) The Commission notes that the holistic approach that it has adopted in considering the results of previous rounds of the PLS and the SSS is in tandem with the common trend identified in the five countries surveyed. 8.6

Chapter 1

Introduction

1.1 This report sets out the work and recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service (the Commission) in relation to the review on the Civil Service Pay Level Survey (PLS) and Starting Salaries Survey (SSS) (the Review).

Background

The Commission

1.2 The Commission is a body appointed by the Chief Executive to advise on the structure, salaries and conditions of service of the non-directorate civilian grades in the civil service. Its terms of reference and membership are at **Appendix A** and **Appendix B** respectively.

Civil Service Pay Policy

1.3 The civil service pay policy of the Government of the Hong Kong Special Administrative Region (the Government) is to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service; and to ensure that civil service remuneration is regarded as fair by both civil servants and the public they serve through maintaining broad comparability between civil service and private sector pay.

Improved Civil Service Pay Adjustment Mechanism

1.4 To achieve such broad comparability, under the *Improved Civil Service Pay Adjustment Mechanism (Improved Mechanism)*, civil service pay is compared with private sector pay on a regular basis through the following

three separate surveys –

- (a) an annual Pay Trend Survey (PTS) to ascertain year-on-year pay adjustments in the private sector;
- (b) an SSS every three years to compare the starting salaries of non-directorate civilian grades in the civil service with the entry pay of jobs in the private sector requiring similar qualifications and/or experience; and
- (c) a PLS every six years to ascertain whether the civil service pay remains broadly comparable with the private sector pay.

1.5 Since the implementation of the *Improved Mechanism*, the Commission has conducted three SSSs (the 2009, 2012 and 2015 SSSs) and one PLS (the 2013 PLS) at the invitation of the Government. Following the completion of the 2013 PLS, the Commission recommended that a review on the PLS be conducted, which might cover the survey methodology, application issues and frequency of the survey. In the context of the 2015 SSS, the Commission further recommended that a specific study on Qualification Group (QG) 8 (Degree and Related Grades) be conducted.

The Review on the PLS and the SSS

Invitation from the Government

1.6 On 26 April 2017, the then Secretary for the Civil Service invited the Commission to conduct a review on the PLS and the SSS, including a specific study on QG 8. In the light of practical experience gathered in conducting a number of pay surveys since the implementation of the *Improved Mechanism*, the Government believed that it was about time to conduct a review before kicking off the next round of surveys. The Commission accepted the invitation in June 2017.

1.7 The review was the first of its kind to be conducted on the PLS and the SSS since the inception of the *Improved Mechanism*. Drawing on the experience gained from the recent surveys conducted, the Commission endorsed a general framework for the Review as the first step. Where applicable, the Commission's established practice in conducting pay surveys was followed.

Engagement of a Consultant and Observers

1.8 In view of the complexities and technicalities involved, Hay Group Limited (the Consultant) was appointed in October 2017 to provide professional advice on the Review and collect relevant market data. As the Review findings might have a bearing on directorate and disciplined services staff, the Commission invited the Standing Committee on Directorate Salaries and Conditions of Service (Directorate Committee) and the Standing Committee on Disciplined Services Salaries and Conditions of Service (SCDS) to each nominate a member as an observer in the proceedings. The Directorate Committee nominated Dr Clement Chen Cheng-jen, SBS, JP and the SCDS, Mr Victor Lam Hoi-cheung, JP.

Consultation with Stakeholders

1.9 In line with past practice, the Commission believes that it is imperative to engage the Staff Sides in an exercise as important as the Review, and hence has exchanged views at different stages of the Review with the Staff Sides of the four Central Consultative Councils and the four major service-wide staff unions.

1.10 The following consultation meetings were held –

(a) during the period from August 2017 to November 2018, the Commission met with the representatives of the Staff Sides on four occasions to exchange views on –

(i) the proposed framework for the Review;

- (ii) the draft Inception Report on the Review, which sets out the work plan for examining the various aspects of the two surveys and the methodology for the specific study on QG 8;
 - (iii) the findings of the research on civil service pay arrangements in overseas countries; and
 - (iv) the draft Review Report, which sets out major review findings and recommendations; and
- (b) in addition, a meeting was conducted by the Consultant with the Staff Sides in November 2017 to gauge their comments on the Review.

1.11 The Staff Sides contributed valuable inputs to the exercise, for which the Commission is grateful. The Commission has, where appropriate, taken into account their views in the course of its deliberation.

Chapter 2

Scope of the Review

- 2.1 The Review covers the following three parts –
- (a) a review on the methodologies of the PLS and the SSS;
 - (b) a specific study on QG 8; and
 - (c) a research on civil service pay arrangements in overseas countries.
- 2.2 The scope of and principles adopted by the Commission for the Review are elaborated in the ensuing paragraphs.

Scope of the Review

Review on Methodologies of the PLS and the SSS

- 2.3 The scope of the review includes reviewing the survey methodologies of the PLS and the SSS and recommending any improvements where appropriate. The scope covers –
- (a) the methodologies for job comparison (i.e. the broadly-defined Job Family-Job level (JF-JL) method for the PLS and the QG-JF framework for the SSS);
 - (b) the use of JFs and JLs in categorising civil service jobs for the purpose of comparison with private sector jobs;
 - (c) the scope of the PLS and the SSS;

- (d) the criteria for selecting civil service benchmark jobs for comparison with private sector jobs;
- (e) the criteria for selecting private sector organisations to be surveyed and the criteria for selecting private sector jobs;
- (f) the pay components and other relevant information on pay and conditions of service to be collected, as well as the parameters for comparison between the private sector pay and the civil service pay, having regard to the treatment of non-cash benefits and the differences between the civil service and the private sector;
- (g) whether the typical organisation practice approach for consolidation of data remains suitable;
- (h) relevant factors that need to be taken into account in making pay comparison between private sector jobs and civil service positions at different levels, including job nature, experience and qualification requirements, differences in remuneration policies and practices as well as in organisation structure between the two sectors;
- (i) the parameters for data collection, the approach to data consolidation and the application of survey findings; and
- (j) the frequency at which the PLS and the SSS should be conducted and the preferred survey reference dates in conducting the two surveys.

Specific Study on QG 8

2.4 In the 2015 SSS, the Commission observed certain unique features and characteristics of the entry ranks of QG 8 in the civil service and the degree graduate entry-level positions in the private sector, such as –

- (a) a relatively larger pay dispersion of degree graduate entry-level positions in the private sector as compared to other QGs;
- (b) a widening pay difference between the civil service benchmark pay of QG 8 and the comparable upper quartile (P75) pay level in the private sector; and
- (c) a lower growth rate of the starting pay of degree graduate entry-level positions in the private sector as compared to other QGs.

2.5 A specific study on QG 8 is therefore conducted as part of the present Review to investigate further into the distinctive features and characteristics of this QG and to determine, on the basis of the study result in relation to QG 8, whether the SSS methodology should be improved and how future survey findings should be applied.

2.6 To ensure consistency and comparability with the results of the previous SSSs, the same methodology for data collection as in the 2015 SSS is adopted for the specific study. A total of 74 participating private sector organisations, covering a wide range of economic sectors locally, supplied the data. Besides quantitative data, information such as company policies in relation to career progression and promotion, turnover rate, and training and development opportunities for degree graduate entry-level positions in the private sector, is also collected and analysed.

Civil Service Pay Arrangements in Overseas Countries

2.7 A research is also conducted by the Consultant on civil service pay arrangements in five overseas countries, with a view to identifying practices that may be of relevance to the Hong Kong Special Administrative Region (Hong Kong). Australia, Canada, New Zealand, Singapore and the United Kingdom are selected for analysis, with particular focuses on –

- (a) the pay system of civil servants in the countries concerned;
- (b) how the respective governments conduct pay surveys and set starting salaries of jobs; and
- (c) arrangements for pay adjustment and review.

Consultant Report

2.8 The Consultant has submitted a final Review Report (copy available at the website of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service at <http://www.jsscs.gov.hk>) which sets out its findings and recommendations. The present report presents the Commission's views and recommendations which have been formulated on the basis of the Consultant Report.

Chapter 3

Pay Level Survey Methodology

3.1 Before we set out our recommendations and proposed improvement measures, it is appropriate to introduce briefly the methodology adopted for the previous PLSs.

Job comparison methodology of the PLS

3.2 The broadly-defined JF-JL method has been used as the methodology for job comparison in the PLS since 2006¹. Under this method, civil service benchmark jobs in the civilian grades on the Master Pay Scale (MPS) and Model Scale 1 (MOD 1) Pay Scale are categorised into five JLs and five JFs based on their broad nature of work and general level of responsibility respectively, for matching with broadly comparable counterparts in the private sector.

3.3 The following steps are taken when pay information is compared under this method –

- (a) identifying jobs that are representative of the civil service (i.e. civil service benchmark jobs) and that have reasonable private sector matches;
- (b) carrying out an intensive job inspection process which serves to ascertain details of the job characteristics of each of the civil service benchmark jobs to facilitate identification of private sector job matches;

¹ The 2006 PLS was conducted by the Government whereas the 2013 PLS was the first PLS conducted by the Commission under the *Improved Mechanism*.

- (c) pursuant to the findings of the job inspection process, civil service jobs are then matched 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;
- (d) the pay information of matched private sector jobs is collected; and
- (e) the matched private sector jobs are aggregated according to the respective JF-JL combinations, and then consolidated into private sector pay indicators for individual JLs. The aggregated private sector pay indicator for each JL will then be compared with the corresponding civil service pay indicator.

3.4 The Commission notes that there are views from the Staff Sides suggesting that the unique and diverse nature of a wide range of civil service jobs could not be fully captured by the broadly-defined JF-JL method and that the degree of judgement involved in the job matching process may affect the objectivity of the survey.

3.5 The Commission acknowledges the above views expressed by the Staff Sides and has evaluated five other alternatives for job comparison in the PLS that have been put forward by the Consultant. These alternatives are: the job matching method, the job factor comparison method, the qualification benchmark method, the pay band/leveling method and the narrowly-defined JF-JL method.

3.6 The Commission notes the following limitations of the alternative methods. The job matching method, which compares civil service jobs with their private sector counterparts that are highly similar in nature and content, and the job factor comparison method, which compares civil service jobs with their private sector counterparts in terms of common job factors, are not commonly adopted by the private sector for conducting

remuneration surveys due to their complexity and the substantial involvement of judgement in the job selection process (for example, in assigning specific weights to job factors). The qualification benchmark method, which compares jobs with reference to academic qualifications and experience, is also unsuitable for checking the levels of the civil service pay above the entry level. Furthermore, private sector organisations rarely take qualification as the sole or major determinant of their salaries. The pay band/levelling method, which compares jobs by making reference to the relative level of responsibilities and expertise within an organisation, is quite broad-brushed and it is not easy to align the level objectively. As a result, the survey outcome will be less reflective of the nature of quite a many civil service jobs. The last alternative examined is the narrowly-defined JF-JL method. It is a variant of the broadly-defined JF-JL method and differs primarily with the latter in terms of the adoption of refined JFs covering jobs in the same discipline and of similar job nature. For example, there could be as many as 20 job families in a single organisation. This method will result in limited matching in jobs and problems like significant gaps in the survey data. Although the Commission notes the Staff Sides' comments on the limitations of the broadly-defined JF-JL method as being a rather broad-brushed approach, the Commission, having regard to the inherent differences in jobs between the civil service and the private sector, considers that compared to other methods, this method excels in terms of precision of comparison and ease of execution and renders a more representative survey result. As such, the Commission considers that this method remains the most appropriate one for ensuring a broad comparability of the civil service pay and the private sector pay and **recommends** its continued adoption.

3.7 After establishing that the broadly-defined JF-JL method is the most appropriate methodology for the purpose of the PLS the aim of which is to ascertain if there is a broad comparability between the civil service pay and the private sector pay, the Commission also examines if there are ways to enhance the way in which the PLS is to be conducted in the future. Paragraphs 3.8 to 3.33 discuss various aspects that have been examined by the Commission.

Job Level and Job Family categorisations of the PLS

3.8 Civil service benchmark jobs are currently categorised into five JFs and five JLs in the PLS. Jobs are clustered together into a JF that is defined in consideration of the job content, work nature and manner in which a job contributes to the functioning of the Government. Jobs are also categorised into different JLs in accordance with different levels of responsibility and the typical requirements of qualification and experience. The five JLs are aligned with the respective ranges of pay points on the civil service pay scales.

3.9 The five JF-five JL categorisation was adopted as the basis of data collection in the PLSs conducted in 2006 and 2013. The Commission notes that despite the effectiveness of the five JF-five JL categorisation in the past two surveys, the Staff Sides have expressed diverse views on this categorisation.

Job level

3.10 Some of the Staff Sides support a five JL categorisation while the others suggest to adopt a broader three JL categorisation. Some consider that the five JLs too narrowly-defined resulting in different ranks of a grade being categorised into different job levels. Some also opine that aligning the five JLs with the three salary bands adopted in the PTS may be feasible. Others consider that the five JLs are appropriate to reflect the broad pay levels of the ranks in the overall hierarchy. The delineation of five JLs in the PLS and three salary bands in the PTS in respect of civil service pay scales is at **Appendix C**. Against this background and the fact that the three surveys serve different purposes, the Commission has examined if there is a sufficient case for aligning the number of JLs for the PLS with the number of salary bands for the PTS.

3.11 The Commission considers that a broad categorisation like three JLs (similar to the three salary bands in the annual PTS), if adopted for the PLS which is conducted only once every six years, will be much less useful as

reference for the overall consideration of whether the salary levels of the civilian civil service jobs are broadly comparable with those of the private sector jobs. Using three JLs would result in too many jobs with different levels of responsibilities being grouped into one single job level, giving rise to possible distortion and bias. The accuracy, precision and representativeness of the pay indicator for each JL will be compromised since private sector jobs (for example, those at junior professional and middle-level professional levels or those at senior professional and lead professional levels) which are comparable to different ranks of the respective civil service grades could potentially be grouped under one and the same JL (i.e. middle salary band or upper salary band) if only three salary bands were used in the PLS. Such arrangement will downplay the hierarchy and the difference in job responsibilities across job levels, resulting in skewed data representation. If a three JL categorisation was adopted, the higher JL would be pre-dominated by the data points from the lower JL and as a result the pay indicator would be less reflective of the actual pay level of the JL.

3.12 The Commission notes that the Staff Sides are concerned about the phenomenon whereby different ranks of the same grades straddle two or more JLs in the five JL categorisation. While acknowledging their concern, the Commission notes that the straddling issue will still remain (though to a lesser degree) in the three JL categorisation. With full regard to the very purpose of conducting the PLS, the Commission considers that the five JL categorisation remains the most appropriate arrangement because it fares better than the three JL categorisation in terms of data precision and specificity in the result application. Taking into account the above considerations and the fact that the three JL categorisation is only marginally better than the five JL categorisation in addressing the straddling issue, the Commission **recommends** the continued adoption of the five JL categorisation.

Job family

3.13 One of the reasons for which the Staff Sides criticise the PLS as being too broad-brushed is that many positions of varying job contents are

grouped in the same JF-JL combination for comparison with jobs in the private sector. A more refined JF categorisation will, according to some of the Staff Sides, enhance the precision in matching the civil service jobs with their private sector counterparts, but some of the Staff Sides consider that the risk of losing sufficient data points associated with an increase in the JFs must be assessed. While acknowledging the above, the Commission has not lost sight of the nature of PLS which is to ascertain if there is a broad comparability of pay between the civil service and the private sector at different levels of jobs (instead of a job-by-job comparison). That said, and while noting that the five JFs are proven to be effective in the data collection processes in the previous PLSs and are familiar to the participating organisations, the Commission has explored two alternatives, namely six JFs and eight JFs, under which jobs will be categorised in a more refined manner with additional regard to their functions or contents. The existing five JF categorisation in the PLS and the alternative six or eight JF categorisations which the Commission has considered are at **Appendix D**.

3.14 The first alternative is to increase the number of JFs from five to six JFs, and the other, from five to eight JFs. Under the six JF categorisation, the current categorisation of “Public Services” will be refined into two categories: “Public Services (Personal, Social & Community)” and “Public Services (Physical Resources)”, whereas under the eight JF categorisation, “Internal Support” will be divided into “Internal Support (Corporate Services)” and “Internal Support (Technical & Operation)” while “Public Services (Social and Personal Services)”, “Public Services (Community)” and “Public Services (Physical Resources)” will jointly take the place of “Public Services”. We note that the more JFs are used, the greater the extent to which the jobs within a particular JF-JL combination will resemble each other in terms of their job functions, but at the same time, the higher the risk of failing to obtain sufficient market data for that combination. The five JF-five JL categorisation, adopted in the previous PLSs, renders a total of 25 JF-JL combinations. By extension, the six JF-five JL categorisation will result in a total of 30 JF-JL combinations whereas the eight JF-five JL categorisation 40 combinations. In the PLS conducted in 2013, a total of 128 out of the 447 invited private sector organisations participated in

the survey and the data supplied could match 17 JF-JL combinations. Therefore, a prudent approach is to increase the number of JFs from five to six and correspondingly increase the number of private sector organisations to be surveyed from 70 – 100 to 100 – 130 to ensure that sufficient data will be collected. While noting that some of the Staff Sides consider that eight JFs could better reflect the uniqueness of civil service positions, the Commission considers that the intended precision may eventually not be achieved due to the absence of sufficient data. Having balanced the need to achieve greater precision in job comparison on the one hand, and the risk of failing to obtain sufficient data in some of the JF-JL combinations on the other, the Commission considers that the existing five JF approach, or the six JF approach, are more practical options compared with the eight JF approach. As the six JF approach will slightly enhance the precision of job comparison than the five JF approach, and as advised by the Consultant to be feasible and practical, the Commission **recommends** using six JFs in the next PLS as a measure of enhancement.

Selection criteria for civil service benchmark jobs and surveyed organisations

Civil service benchmark jobs

3.15 A set of pre-defined criteria was adopted in the previous PLSs to ensure that civil service benchmark jobs are reasonably representative of the civil service and have broadly comparable private sector job matches. To qualify, the civil service benchmark jobs concerned must –

- (a) have reasonable counterparts, in terms of broadly comparable job nature, skills, qualifications and experience in a large number of private sector organisations;
- (b) be representative of the civil service. Each civil service benchmark grade should have an establishment size of not less than 100 posts;

- (c) be reasonably representative of various civil service pay scales, the breadth of disciplines, the depth of JLS and the range of Government bureaux /departments;
- (d) have a sufficient number of jobs at different JLS to ensure that the survey results are reliable; and
- (e) be such that its total number to be matched and the private sector pay data to be collected should be reasonable and manageable for the participating private sector organisations. This will ensure the integrity of the data and will not deter the organisations from participating in the survey.

3.16 These criteria were arrived at after due consultation with stakeholders before the onset of the 2006 and 2013 PLSs. In the 2013 exercise, the criteria enabled the identification of a total of 61 grades and 190 benchmark ranks for classification into 19 JF-JL combinations², with private sector matches found for 59 grades and 162 ranks, covering 17 JF-JL combinations from a range of economic sectors.

3.17 To further enhance the representativeness of the future PLSs and increase the breadth of civil service jobs covered in the survey, the Commission has examined the feasibility of broadening the scope of the PLS by including more civil service ranks to be surveyed. The Commission **recommends** finetuning criteria (b) and (d) in paragraph 3.15 above in the following manner. Instead of including only civil service grades with an establishment size of not less than 100 posts, grades with a smaller establishment size could also be included. The Commission considers that the Government, being the largest employer in Hong Kong, recruits and employs a broad range of ranks across different JFs. Therefore, a civil service grade with an establishment size of not less than 50 posts should be sufficiently representative for the purpose of the survey. Furthermore, since

² In the 2013 PLS, six out of the 25 JF-JL combinations did not have any civil service benchmark jobs for matching with the private sector.

some single-rank grades will have private sector counterparts spanning across different economic sectors, the Commission **recommends** the inclusion of these grades in future PLSs in addition to the benchmark jobs that have a sufficient number of jobs at different JLs. Relaxing the above two selection criteria increases not only the number of ranks for comparison with the private sector but also the likelihood of generating more data for the JF-JL combinations. With the proposed changes, the Commission expects the upcoming PLS to be more representative and comprehensive in nature covering a larger number of civil service jobs. For the rest of the selection criteria, the Commission considers them relevant and appropriate and **recommends** their continued adoption in the next PLS.

3.18 In the 2006 and 2013 PLSs, the Directorate Grades, the Disciplined Services Grades, the education and social welfare fields as well as the medical and health care field were excluded. In the 2006 PLS, the Directorate Grades were excluded because of the lack of reasonable private sector matches and the need for adopting a different job comparison method (viz. the job factor comparison method) at the directorate level. Similarly, the Disciplined Services Grades were excluded as there were no private sector counterparts. Jobs in the medical and health care field, the education field and the social welfare field were excluded from the survey field because the private sector organisations where reasonable counterparts could be found for these grades used civil service pay scales or pay adjustments as major factors in determining their pay levels³. In the 2013 PLS, the consultant re-examined the reasons and the circumstances for excluding the above-mentioned grades (except the medical and health care field) and concluded that the reasons remained valid and the circumstances unchanged. As a result, these grades continued to be excluded from the 2013 PLS⁴.

3.19 For the medical and health care field, the 2013 PLS consultant included some of the ranks that belonged to the medical and health care field

³ Watson Wyatt Hong Kong Limited, “Conduct of the 2006 Pay Level Survey for the Civil Service: Final Consultancy Report”, April 2007.

⁴ Aon Hewitt, “Conduct of the Pay Level Survey for the Civil Service: Inception Report – Survey Methodology for the Pay Comparison Survey and Implementation Details”, April 2013.

in the job inspection process for further examination⁵ after noting that there was a noticeable trend for the private medical and health care organisations moving towards market practices in pay determination. It was ascertained during the job inspection process that the duties of many civil servants in this field, with a primary focus on public health services, such as statutory and health education functions, were uncommon in the private sector. The senior ranks of these grades in the civil service also bore heavier supervisory and administrative responsibilities compared with those in the private sector. Considering that there would be a limited number of potential matches between the civil service and the private sector as well as the representativeness of the potential matches, the 2013 PLS excluded the entire medical and health care field from the scope of the survey.⁶

3.20 For the current review, having examined the findings and recommendations of the Consultant, the Commission **recommends** the continued exclusion of the above grades. For the Directorate Grades and Disciplined Service Grades, they continue to have no direct comparables in the private sector. For the education, social welfare and medical and health care fields, the private sector organisations follow either civil service pay scales or pay adjustments. For the medical and health care field, the Commission is not aware of recent significant changes in the way such organisations set their pay. In other words, the Government pay scales are still a major consideration in their pay determination. However, noting the Consultant's findings that a growing number of larger private medical organisations are established and the Staff Sides' views that it is worth confirming whether the Hospital Authority, which employs the largest number of the medical and health care professionals in Hong Kong, still adopts the Government pay scales as a key determinant in setting their pay, the Commission agrees that it will be prudent to ascertain if the position remains unchanged before the onset of the next round of PLS. The Commission **recommends** that a brief study be conducted by the survey consultant of the next PLS to verify if the medical and health care field including the Hospital

⁵ Ditto.

⁶ Hewitt Associates LLC (Aon Hewitt), "2013 Pay Level Survey: Consultancy Report – Fieldwork and Results of the Pay Comparison Survey", September 2014.

Authority and other large private medical and health care organisations continue to refer to the civil service pay scales or pay adjustments in pay determination before deciding if the medical and health care field should be excluded from the survey.

Surveyed organisations

3.21 In deciding the criteria for selecting private sector organisations to be surveyed for collecting pay information, the guiding principle is that in their entirety, the organisations to be included should provide a reasonable representation of pay levels prevailing in the Hong Kong market for reference.

3.22 The following selection criteria were adopted for the 2013 PLS –

- (a) the organisations should be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
- (b) the organisations should have a sufficient number of jobs that are reasonable counterparts to benchmark jobs in the civil service;
- (c) the organisations should be typical employers in their respective fields employing 100 or more employees;
- (d) the organisations should determine pay levels on the basis of factors and considerations applying to Hong Kong rather than outside Hong Kong;
- (e) the organisations should not use civil service pay scales or pay adjustments as major factors in determining the pay levels or pay adjustments for their staff, or should not have done so in the past five years;

- (f) if they form part of a group in Hong Kong, the selected organisations should be treated as separate organisations where pay practices are determined primarily with regard to conditions in the relevant economic sector;
- (g) taken together, the selected organisations should represent a breadth of economic sectors;
- (h) the total number of surveyed organisations should be sufficient to ensure that each JF-JL combination will have data coming from at least ten organisations; and
- (i) at least 70 – 100 organisations should be included in the survey field.

3.23 The Commission considers that the selected private sector organisations should be generally known as steady and good employers with an established policy for determining and assessing the competitiveness of their pay in a systematic way vis-à-vis other organisations. Furthermore, the selected organisations should be typical employers in their respective fields with at least 100 employees and a sufficient number of jobs that are reasonable counterparts to and broadly comparable with the civil service benchmark jobs. Collecting pay data from these larger organisations is more efficient than from many small employers with a limited number of benchmark jobs because larger organisations are better positioned to provide data on a range of benchmark jobs at different levels, and the data they provide are less likely to be influenced by customised pay packages targeting specific employees. The Commission considers that it is justifiable to exclude organisations that determine the pay levels on the basis of factors and considerations applying outside Hong Kong, or whose jobs are normally filled by expatriates, or that use civil service pay scales or pay adjustments as major factors in pay determination. Where subsidiaries of a larger group have autonomy in determining pay rates appropriate to their respective business models, it is appropriate to treat them as separate entities. Furthermore, the Commission considers that there should be a sufficient representation of the

private sector pay levels across industries and an adequate number of surveyed organisations for each JF-JL combination, ensuring that the data collected are representative. After taking into account the above considerations in relation to the established criteria for selecting private sector organisations for the PLS, the Commission considers the criteria appropriate and **recommends** maintaining them. As a six JF categorisation is recommended for future PLSs (see paragraph 3.14), the Commission **recommends** increasing the number of organisations to be surveyed from 70 – 100 to 100 – 130 to ensure that an adequate level of data sufficiency is maintained.

Broadening the scope of the PLS

3.24 As mentioned earlier in this Chapter, the PLS, with the pay data consolidated on the basis of JF-JL combination, has been effective in tracking the broad comparability between the civil service pay and the private sector pay in a medium-term. The Commission notes that there are views including those from the Staff Sides that some civil service jobs are not tracked in the survey under the existing scope. To address this concern, the Commission considers it worthwhile to broaden the scope of the PLS so that more civil service ranks could be covered in the survey and as a result the representativeness of the survey could be further enhanced. In paragraph 3.17, the Commission has recommended to relax two selection criteria whereby civil service grades with an established size of not less than 50 and single-rank grades will be included in future PLSs. With such relaxation, there will be a net increase of around 113 more civil service benchmark jobs in 38 grades (comprising 42 entry ranks and 71 promotional ranks and on the basis of the civil service establishment as at 31 December 2017) to the 2013 list, making a total of around 303 civil service benchmark jobs for the next PLS. The new total civil service benchmark jobs represent about 77% of the establishment of the non-directorate civilian ranks (an improvement as compared to 67% in the 2013 PLS). Under this proposal, around 112 of the ranks to be surveyed are at the entry level (i.e. representing 37 % of the civil service benchmark jobs to be covered in future PLSs).

3.25 The newly included ranks are evaluated and selected on the basis of whether the ranks are surveyable and whether there are reasonable comparable counterparts in the private sector. The Commission also **recommends** excluding one rank adopted in the 2013 PLS which no longer meets the selection criteria.⁷ As changes in the establishment may affect the suitability of individual ranks for inclusion as benchmark jobs and the Staff Sides may have views on the inclusion or otherwise of certain ranks, the Commission **recommends**, following the usual arrangement, the consultant of the next PLS to finalise the list of civil service benchmark jobs using the relaxed criteria mentioned in paragraph 3.17 after taking into account the latest establishment position and the Staff Sides' views before the actual commencement of field work.

Other enhancements to future PLSs

Pay related data specifically targeted at entry-level positions

3.26 As a further measure to maximise the utility of the data to track the pay information in private sector organisations, the Consultant proposes that additional questions could be included in the future PLSs so that pay data in relation to the starting salaries of entry-level positions could be collected too. The Commission considers it a viable option and **recommends** requesting participating private sector organisations to provide additional pay related data specifically targeted at entry-level positions in the questionnaire for future PLSs. The additional data collected will enable the enhanced PLS to provide broad indications as to whether the levels of pay for private sector entry-level positions as classified into different QGs are generally in tandem with the benchmarks for the corresponding QGs in the civil service. The Commission's views on the applicability of these broad indications are that these indications will not be taken as a basis for consideration of any adjustment of starting salaries, as even with the coverage of around 112 entry

⁷ Senior Estate Assistant was included in the 2013 PLS. The number of its established posts dropped to below 50 posts as at 31.12.2017. Hence, it is not recommended for inclusion in the list of benchmark jobs.

ranks, the data collected in the enhanced PLS will not be as representative or reliable for the purpose of linking a QG to a specific pay level as the SSS, which carries with it various robust features aiming to ensure data integrity and reliability for the purpose of application.

Duty lists of the private sector jobs and detailed guide on job matching

3.27 To further enhance transparency and quality assurance in job matching, the Commission **recommends** that participating private sector organisations be encouraged to provide duty lists of their jobs for matching with civil service benchmark jobs. Sample duty lists of private sector jobs will also be provided to the Staff Sides for reference, so that they could have a better understanding of the private sector jobs that are used for comparison. The Commission also **recommends** that the survey consultant of the upcoming PLS be required to provide a detailed guide to the Staff Sides on the protocol and job matching procedures. This should include the guidelines on matching, detailed work steps involved as well as the vetting procedures to be performed by the survey consultant in ensuring the quality of the matching process.

Survey reference date

3.28 Some Staff Sides suggest that the macroeconomic environment should be taken into consideration in determining the survey reference date. The Commission considers that the PLS, which proves to be an effective mechanism in tracking the broad comparability between the civil service pay and the private sector pay, should be conducted in accordance with a pre-determined frequency and timeframe. Choosing a survey reference date with particular regard to the state of the macroeconomic environment may be considered by some to be arbitrary and will impact adversely on the credibility of the surveys.

3.29 In Hong Kong, private sector organisations usually have their salary review during the first few months of the year (mostly in January and

April). Hence it is a common practice to collect data with 1 April as the reference date when up-to-date salary increments and pay changes will be captured. For private sector organisations which regularly check their pay competitiveness, it is unusual for a random reference date to be adopted for benchmarking. Instead, pay survey reference dates are usually kept constant in order to maintain a comparability of market data and a consistency in reviewing pay adjustments.

3.30 The Commission considers that an aligned survey date of 1 April would capture the more up-to-date pay information and help the application decisions and therefore **recommends** its adoption. The Commission however agrees that before the onset of the next PLS, detailed arrangements could be determined after taking into account views from stakeholders including the Staff Sides.

Data collection and consolidation

3.31 The Consultant considers that the use of the upper quartile (i.e. the 75th percentile, or P75) of the private sector total cash compensation, consolidated on the basis of the typical organisation practice approach is appropriate for determining the private sector pay indicator for each JL in PLS because it accords with the general objective that the Government should be a good employer and, hence, civil service pay should be measured against that of the better paying private sector jobs. In addition, the JF-based unweighted average used to formulate the P75 of the private sector pay enables a broad comparison of pay levels for the civil service and the private sector, reflecting any pay level difference across jobs due to the difference of job requirements and level of responsibility. The Commission **recommends** continuing with these practices for future PLSs.

3.32 The PLS adopts one single vetting criterion for data consolidation, i.e. to have pay data points from at least ten private sector organisations for each JF-JL combination. For the PLS, the Commission considers the current criterion appropriate for ensuring the data integrity of

each JF-JL combination and maintaining the data representation and **recommends** its continued adoption.

3.33 In the 2013 PLS, the typical organisation practice approach was adopted for consolidating the pay data of employees from private sector organisations within a particular JF-JL combination. Having compared this approach with other alternative approaches, the Commission is satisfied that the typical organisation practice approach provides for an unbiased coverage of pay levels of private sector comparables in each of the surveyed organisations. The Commission therefore **recommends** its continued adoption in the PLS.

Chapter 4

Starting Salaries Survey Methodology

Background of the SSS

4.1 Civil service starting salaries were reviewed by the Standing Commission as part of an overall civil service salary structure review in 1979 and again in 1989. In 1999, the first specific review on civil service starting salaries was conducted. The 1999 review proposed to establish a separate mechanism to review Qualification Benchmarks and starting salaries of the civil service against the movements in entry pay in the private sector for similar qualifications, having regard to the observation at the time that the starting salaries of entry-level positions in the private sector may not be adjusted simply with reference to the pay adjustment of serving staff. The subsequent SSSs were conducted in 2006⁸, 2009, 2012 and 2015 at three-yearly intervals to complement the six-yearly PLS and the annual PTS.

QG-JF framework

4.2 The Qualification Benchmark System has been used as the basis for data collection and pay comparison since the first specific review on civil service starting salaries conducted in 1999 and the subsequent SSSs. Under the Qualification Benchmark System, jobs are grouped primarily on the basis of similar entry requirements. There are two major dimensions in comparing entry-level jobs in the civil service and those in the private sector, namely (a) educational qualification requirements and, if applicable, experience; and (b) job functions. The former is reflected in QGs and the latter in JFs.

4.3 In 2015, the consultant appointed to conduct the SSS reviewed the suitability of using the Qualification Benchmark System and the

⁸ The 2006 SSS was carried out by the Government whereas the 2009 SSS was the first SSS conducted by the Commission under the *Improved Mechanism*.

Commission concluded that the Qualification Benchmark System should continue to be used since it had proven to be effective as a whole in data collection and pay comparison.

4.4 The Commission notes that the Staff Sides have expressed their views on the relevance of the QGs and their alignment vis-à-vis the market practices, the growing trend of recruits possessing academic qualification or experience (if applicable) higher than the minimum entry requirements for the entry ranks of the civil service. There are also views about the precision of the pay data collected under the QG-JF framework because the pay data of the private sector entry-level positions will be captured for pay comparison as long as the entry-level positions fall into any of the QG-JF combinations.

Alternatives for job comparison of the SSS

4.5 The Commission understands the above concerns and has tasked the Consultant to explore alternative methods for the purpose of job comparison. The alternative methods for conducting the SSS that have been examined include the job matching method, the job factor comparison method and the pay band/levelling method. In the SSS, the private sector positions surveyed are limited to those at the entry level. The level of accountability and the technical knowledge required of these positions are minimal. Furthermore, the entry ranks in the civil service cover a wide range of functions and disciplines and it is not practical to align them into a single pay band.

4.6 As a conclusion, the Commission finds that the complex job factor comparison method as well as the broad-brushed pay band/levelling method are not as practical, direct and objective as the QG-JF framework in comparing civil service starting salaries with the pay of private sector entry-level jobs. A full-scale job matching is also inappropriate as the sufficiency of data cannot be guaranteed. Having regard to the above, the Commission **recommends** the continued adoption of the QG-JF framework for the SSS.

Qualification Groups to be covered in the SSS

4.7 Basic ranks in the civil service are currently categorised into 11 different QGs, with respective benchmark(s) set having regard to factors including the entry pay for jobs in the private sector requiring similar educational qualifications and experience (if applicable) as determined with reference to the results shown in the previous SSSs. Where no comparable entry pay is found in the private sector for a QG, the benchmark will be determined through its internal relativity with other QGs.

4.8 The qualification and experience (if applicable) required under the QGs are as follows –

QG	Grades and Qualification Requirements	Experience Specification in Data Collection
1	Grades not requiring Level 2 or equivalent in five subjects in Hong Kong Diploma of Secondary Education Examination (HKDSEE) (or five passes in Hong Kong Certificate of Education Examination (HKCEE))	Nil
2	HKDSEE Grades	
2.1	Group I: Grades requiring Level 2 or equivalent in five subjects in HKDSEE (or five passes in HKCEE)	Nil
2.2	Group II: Grades requiring Level 2 or equivalent in five subjects in HKDSEE plus considerable experience (or five passes in HKCEE plus considerable experience)	Two to five years of experience
2.3	Group III: Grades requiring Level 3 or equivalent in five subjects in HKDSEE (or two passes at Advanced Level in HKALE plus three credits in HKCEE)	Nil
3	Higher Diploma, Associate Degree and Diploma Grades	
3.1	Group I: Higher Diploma or Associate Degree Grades	Nil
3.2	Group II: Diploma Grades	Nil

QG	Grades and Qualification Requirements	Experience Specification in Data Collection
4	Technical Inspectorate and Related Grades: Higher Certificate or equivalent qualification plus experience	Three years of experience
5	Technician, Supervisory and Related Grades Group I: Certificate or apprenticeship plus experience	Two years of experience
6	Technician, Supervisory and Related Grades Group II: Craft and skill plus experience, or apprenticeship plus experience	Two to three years of experience
7	Professional and Related Grades	Nil
8	Degree and Related Grades	Nil
9	Model Scale 1 Grades	Nil
10	Education Grades	Not applicable
11	Other Grades	Not applicable

4.9 Data collection for the previous SSSs covered QGs 1 to 9. QG 10 (Education Grades) and QG 11 (Other Grades) were excluded due to their unique nature and disparate entry requirements. The Commission notes the Staff Sides' suggestion to re-examine the inclusion or otherwise of QG 10 and QG 11 in future SSSs rather than relying on internal relativity to determine the benchmarks for these QGs.

4.10 The nine basic ranks in QG 10 are all in the education sector. The majority of the educational institutions adopt pay scales determined with reference to the MPS for the civil servants, or take the civil service pay adjustment as the major factor in determining their pay levels.

4.11 For the 44 basic ranks in QG 11, many of them are extremely diverse in their job nature and functions, typically requiring appointees to have special aptitude, skills or experience instead of academic attainment.

4.12 Having considered the latest position of these two QGs, the Commission **recommends** that the basic ranks of QG 10 and QG 11 should continue to be excluded from the next SSS and that internal relativity⁹ be used in determining their starting salaries.

4.13 The Commission notes that there are persistent difficulties in collecting sufficient data to meet the vetting criteria for QG 3 Group I and QG 4. Though the criteria adopted by the SSS serve well in ensuring the data representation of each JF for the respective QG, the Commission **recommends** relaxing the vetting criteria for QG 4, the details of which are further discussed in paragraph 7.20.

4.14 The Commission however notes the Staff Sides' comments that the entry requirements of certain ranks, as currently classified in different QGs, may no longer be in synchrony with the current market practices. They therefore request that Grade Structure Reviews (GSR) be carried out for the concerned grades. While the Commission will convey these views to the Government, it is, however, fully aware of the Government policy that GSRs will be considered in view of proven and persistent recruitment and retention difficulties of a grade; or when there are significant changes in the job nature, job complexity and level of responsibilities of a grade. The Commission also notes that the Government has been handling requests for GSRs in accordance with this established policy.

Job Family classification of the SSS

4.15 An eight JF classification was adopted in the 2009, 2012 and 2015 SSSs to facilitate identification of comparable private sector jobs and data collection. The eight JF classification adopted in the SSS is at **Appendix E**.

⁹ The starting salaries of the basic ranks in QG 10 are determined with reference to the benchmark of QG 8 and QG 3 Group I while the starting salaries of the basic ranks in QG 11 are determined with reference to the QGs to which these ranks are linked (for example Assistant Hawker Control Officer is linked to QG 5 and Traffic Warden to QG 1).

4.16 In private sector organisations, entry-level positions are usually designed and structured in a way for the job-holders to focus on one particular domain and JF while senior positions tend to have dual roles overseeing different domains and JFs. Since the SSS only covers entry-level positions representing one JL, the eight JF classification, which represents slightly more refined groupings, is considered appropriate for the purpose of the survey.

4.17 Furthermore, the Commission notes that there are no significant changes in the job duties of the 268 basic ranks surveyed in the 2015 SSS and it supports further that the eight JF categorisation is appropriate for grouping the basic ranks of the SSS. In view of the above, the Commission **recommends** the continued adoption of eight JFs for the next SSS and, if necessary, that the consultant of the next SSS could review the JF categorisation having regard to the scope of the next survey.

Selection criteria for private sector jobs and surveyed organisations

Private sector jobs

4.18 The criteria for selecting private sector entry-level positions for comparison with civil service entry-level positions in the SSS are as follows –

- (a) the selected jobs should require similar minimum qualifications for appointment as those of the basic ranks of the civil service grades in the respective QGs;
- (b) the selected jobs should perform similar functions as those of the basic ranks of the civil service grades as identified in the JFs for the respective QGs; and
- (c) the selected jobs should be full-time ones with salary determined on the basis of factors and considerations applying to Hong Kong only.

The Commission considers the existing selection criteria suitable in reflecting a broadly comparable pay indicator from the private sector and **recommends** their continued adoption in the next SSS. The selection of private sector jobs in relation to QG 8 will be further discussed in paragraph 7.15.

Surveyed organisations

4.19 The SSS adopts the same criteria for selecting private sector organisations, as stated in paragraph 3.22, except for the criteria in paragraphs 3.22 (b), (h) and (i) that are applicable only to the PLS. The justifications and considerations for adopting these criteria are expounded in paragraph 3.23. Additionally, the SSS has its specific requirement in that organisations to be selected should collectively have a sufficient number of entry-level jobs that are reasonable counterparts to entry-level jobs in each of the QG covered in the survey. A minimum number of organisations to be surveyed is not set for the SSS but in practice over 130 private sector organisations contributed the data in the 2012 and 2015 SSSs respectively. Since these criteria have ensured a smooth conduct of the SSSs in the past, the Commission considers that there is no strong reason for departing from this arrangement and **recommends** their continued adoption.

Survey reference date

4.20 The considerations and recommendations proposed in paragraphs 3.28 to 3.30 for the survey reference date of the PLS will also apply to the SSS.

Data Collection and consolidation

4.21 The SSS adopts two vetting criteria under which the pay data points for private sector jobs are collected for individual QGs. The pay data points for each QG should cover: (a) at least 60% of the JFs identified from the civil service basic ranks; and (b) at least 15% of all surveyed

organisations or 15 surveyed organisations, whichever is the less. The Commission **recommends** the continued adoption of the criteria which serves well in ensuring the data representation of the QG-JF combinations. As for the application of the two criteria in respect of QG 4, an enhancement measure will be discussed in paragraph 7.20.

4.22 The considerations and recommendations proposed in paragraphs 3.31 and 3.33 for the data collection and consolidation approaches for the PLS will also apply to the SSS.

Chapter 5

Application of Survey Findings

The 5% acceptable range approach

5.1 In the 2006 PLS, a range of plus or minus 5% was adopted as the acceptable range of difference between the civil service and private sector pay indicators for one JL. Where the difference shown in the survey fell within the range, no downward or upward adjustment was to be made to the relevant civil service pay point. Where the difference fell outside the range, a downward or upward adjustment to the relevant civil service pay point was to be made to bring the latter within the 5% range.

5.2 Although in subsequent surveys, the Commission used the holistic approach in the application of the survey results with the plus or minus 5% range as one of the considerations, the Commission is aware of the different views held by the Staff Sides on the use of such a range. While some favour a pre-determined range, others suggest that a wider range of 10 to 15% might be more appropriate to avoid undue disruption caused by frequent pay adjustments. Some also suggest that explicit principles and mechanism for application should be formulated and agreed before the survey findings are available.

Limitations of a pre-determined range

5.3 While noting the suggestion of some of the Staff Sides to use a pre-determined range, the Consultant, after his assessment, observes that this approach may give rise to frequent adjustment to the pay levels of many civil servants, and such volatility is not conducive to maintaining the stability and morale of the civil service. The Commission considers that a pre-determined range would mandate a mechanical application of survey results, thereby limiting the degree of flexibility in the pay adjustment

mechanism in taking into account relevant principles and considerations for meeting the needs of Hong Kong.

5.4 Moreover, given that the market is highly dynamic and pay surveys only capture market information at a particular point in time, it would not be holistic to simply follow a single snapshot of the private sector pay in applying the findings of the pay survey without at the same time considering other factors. The Commission, having considered the above, does not recommend the use of a pre-determined range for a mechanical application of future survey results. Instead, a holistic approach should be adopted as set out in paragraphs 5.5 to 5.10 below.

The existing holistic approach

5.5 The existing holistic approach for applying survey findings was first adopted in the 2009 SSS and continued to be used for the last PLS and SSSs (including the 2013 PLS, the 2012 and 2015 SSSs)¹⁰. Under this holistic approach, the Commission will take into account a basket of relevant principles and considerations in concluding how the survey results should be applied. Survey results will not be applied mechanically in adjusting the pay level of civil service ranks and grades, and actions, if any, in relation to the survey results should be made after making reference to all relevant factors.

5.6 These factors include the broad comparability with the private sector, the attractiveness and stability of civil service employment, the inherent differences between the civil service and the private sector and the uniqueness of the former, the inherent discrepancies in statistical surveys, the nature of the PLS and the SSS and the overall interest.

¹⁰ For the 2013 PLS, the Government indicated that the application framework of the 2006 PLS was purely for reference, and that the Commission should not feel encumbered in any way in its recommendations on how the survey findings of the 2013 PLS should be applied. For the said survey, the Commission eventually considered that a holistic approach should be adopted under which a number of principles and considerations were formulated making reference to those adopted in the 2009 and 2012 SSSs.

Common practice in the private sector for pay survey application

5.7 In the private sector, pay surveys are usually conducted on a need basis only. Moreover, pay adjustment decisions are seldom made mechanically and solely on the basis of the outcomes of the pay surveys.

5.8 Similar to the holistic approach adopted by the Commission, private sector organisations usually take into consideration a basket of relevant factors in arriving at a conclusion on pay adjustments. These include but are not limited to the financial position or budget of the firm, staff turnover rate, internal relativities, scarcity and availability of talent, business needs, the underlying pay philosophy and general economic conditions, etc.

5.9 Hiring and firing at different levels are commonly practised and a balance needs to be struck between the competitiveness of the remuneration packages and the overall operating costs of the private sector organisations. Pay arrangements often have to be adjusted quickly in response to changes in the business performance, economic cycles and the supply of talent. A much greater degree of flexibility is exercised, therefore, in the way private sector organisations apply survey findings in making pay adjustment decisions. Such inherent differences between the civil service and the private sector should be taken into account when considering the application of survey findings.

5.10 As observed from the five overseas countries surveyed (see Chapter 8), factors such as budgetary considerations, productivity enhancement, recruitment and retention pressure and skill development needs are, in addition to the comparability between the pay of the civil service and the private sector, considered in determining the pay of the civil service. The Commission therefore **recommends** that the holistic approach should continue to be adopted in considering the application of results of the PLS and the SSS.

Chapter 6

Frequency for the Conduct of the Surveys

Existing practice

6.1 As set out earlier, under the *Improved Mechanism*, the PLS is conducted once every six years with the objective of checking if the salaries of non-directorate civilian grades in the civil service remain broadly comparable with the private sector pay. The SSS, conducted once every three years, complements the PLS in checking the starting salaries of non-directorate civilian entry ranks in order to examine if they are broadly comparable with the starting salaries of private sector positions requiring similar qualifications and, if applicable, experience. The annual PTS ascertains the year-on-year pay adjustments in the private sector. The three-pronged strategy in conducting remuneration surveys ensure that the civil service pay as a whole is broadly comparable with the private sector pay.

Frequency for conducting the PLS and the SSS

PLS

6.2 According to past experience, it takes about 33 months to complete the PLS (including the preparatory work and the actual field work). The whole survey process, from the stage of job matching to data submission, requires extensive inputs, in terms of time and effort, from the Staff Sides, management of the civil service and participating private organisations. On the other hand, the SSS requires some 15 months to complete. Views have been expressed on the frequency at which the PLS and the SSS should be conducted, arising from such concerns as the time and effort required on the participating private sector organisations, Staff Sides and the Government for contributing to the surveys, and the difficulties of applying the findings of the PLS and the SSS particularly when they are available within a short period.

There are also views from the Staff Sides that the PLS could be conducted at an interval longer than six years because a longer time interval should suffice to maintain a broad comparability between the civil service pay and the private sector pay. The Commission however considers this proposal not practical because spacing out the PLS at a longer interval may render the civil service pay to be out of line with the private sector pay. On the other hand, the PLS should be conducted at a reasonable interval because of the considerable work and resources the survey entails for the participating private sector organisations as well as for the Government. The Commission, having regard to the objective of the PLS that it is to examine the levels of pay across the non-directorate civilian grades in the civil service, **recommends** that the PLS should continue to be conducted at a six-yearly interval.

SSS

6.3 The six-yearly PLS and the annual PTS provide a solid basis for ensuring that the pay of the civil service as a whole is broadly comparable with the private sector. The SSS plays a complementary role and, to a large extent, is akin to an added assurance to the pay adjustment data obtained from the PLS and the PTS, in that it seeks to monitor the starting salaries for the civil service entry ranks at a pre-determined interval. Furthermore, the past two SSSs (in 2012 and 2015) showed that the starting salaries of the civil service entry ranks, except those in QG 8, had been largely in tandem with the private sector. These findings further support the view that the PLS and the PTS taken together already serve to ensure pay comparability, including those at the entry level.

6.4 As explained in Chapter 3, the proposed inclusion of more ranks (including entry and promotional ones) under the PLS helps to track the pay of both entry level and higher level jobs in a single survey. The inclusion of entry ranks as proposed in Chapter 3 together with the accompanying relaxation of criteria and refinement to the questionnaire for the PLS will enable the survey to provide, in addition to pay indicators for different JLs, broad indications as to the level of starting salaries as classified according to

QGs. It should be noted that these indications will not be taken as a basis for consideration of any adjustment of starting salaries, as even with the addition of entry ranks, the data collected in the enhanced PLS will not be as representative or reliable for the purpose of linking a QG to a specific pay level as the SSS, which carries with it various robust features aiming to ensure data integrity and reliability for the purpose of application. The enhanced PLS will provide an extra layer of information for monitoring the starting salaries in relation to QGs.

6.5 In the light of the above, the Commission has considered the related arrangement including the adjustment of the frequency for conducting the SSS. For this purpose, the Commission has examined the pros and cons of the alternatives proposed by the Consultant, including conducting the SSS (in alternation with the PLS) at a six-yearly interval instead of triennially, or conducting the SSS as and when necessary in response to specific circumstances.

Conducting the SSS less frequently at a six-yearly interval

6.6 As mentioned in paragraph 6.3, the Commission notes that as the PLS and the PTS provide a solid basis for ensuring that the pay of the civil service as a whole is broadly comparable with that of the private sector, the SSS plays a complementary role and is akin to an added assurance to the pay adjustment data obtained from the PLS and the PTS. With the proposed inclusion of more entry ranks in the PLS mentioned in paragraphs 3.24 and 6.4, the PLS should be able to capture and reflect pay adjustment at entry ranks more effectively and relevant data from the enhanced PLS should be able to provide broad indications as to whether the levels of pay for private sector entry-level positions as classified into different QGs are generally in tandem with those of the corresponding QGs in the civil service.

6.7 Having regard to the availability of supplementary broad indications for the QGs from the enhanced PLS and other considerations mentioned above, the Commission considers that it is an option for the SSS to be conducted less frequently. At the existing frequencies whereby the SSS is

conducted triennially and the PLS at a six-yearly interval, the two surveys could be conducted very close to each other temporally, placing a burden in terms of resources and effort on participating private sector organisations, the Staff Sides and the Government. The Commission considers that a viable option to reduce the frequency for conducting the SSS is to conduct it at a six-yearly interval. The Commission notes that, in this connection, the Consultant has explored the feasibility of synchronising the conduct of the PLS and the SSS but finds it unviable given the problems posed for the private sector organisations and the Government in handling two surveys at the same time. Instead, the Commission considers that it is an option to conduct the SSS at a six-yearly interval, and in alternation with the PLS which is also conducted at a six-yearly interval. For this option, the Commission **recommends** that the Government consider kickstarting the PLS first, in 2019 if possible, while the SSS could then follow in three years' time. The Commission **recommends** that aligned survey reference dates being pre-set at 1 April could be adopted but the detailed arrangements for the conduct of the two surveys will be finalised by the survey consultant before the onset of the surveys after consulting concerned stakeholders including the Staff Sides.

Conducting the SSS under specific circumstances

6.8 The Commission also notes that a second option whereby instead of conducting the SSS at a pre-set interval, the SSS could be kickstarted as and when necessary in response to specific circumstances that may have an impact on the starting salaries of specific segments of the employment market or in the light of the broad indications on the starting salaries that the enhanced PLS is capable of providing. Such circumstances include (but are not limited to) changes or difficulties in relation to recruitment, appointment or regulatory framework which affect certain entry ranks, groups of related ranks, a specific QG or related QGs, as well as any rapid and unforeseeable changes to the external environment and the socio-economic landscape that may have a significant impact on the employment market in Hong Kong as a whole. It is open for the Government to consider if a comprehensive SSS, or

an SSS of a smaller ambit, is warranted, after reviewing the broad indications revealed by the PLS and the specific circumstances.

Merits and limitations of the two recommended options

6.9 The Commission notes that a regular survey timeframe for the SSS provides more certainty in terms of planning and resources management for all stakeholders concerned. However, the SSS, if conducted at a six-yearly interval, may not have the benefit of responding quickly to internal or external changes (i.e. those referred to in paragraph 6.8 above) in between the surveys, limiting the value of the data collected in the SSS for consideration by the Government to monitor and, if necessary, adjust the starting salaries of entry ranks in a timely manner.

6.10 Conducting the SSS in response to changing circumstances is a more flexible arrangement whereby the survey could be initiated in response to internal or external changes promptly. This option also maximises the value of the data collected in the SSS, which is conducted as and when necessary in response to specific circumstances.

6.11 The Commission understands that the Staff Sides hold different views on the SSS and the frequency for its conduct. There are suggestions to conduct the SSS as and when necessary, to conduct the enhanced PLS first before deciding on the arrangements for future SSSs, to reduce the frequency for the conduct of the SSS or to replace the SSS with the enhanced PLS. The Commission notes that the Staff Sides generally support the second option discussed in paragraph 6.8 under which the Government can consider if a comprehensive SSS, or an SSS of a smaller ambit is warranted, after reviewing the broad indications as revealed by the PLS and the specific circumstances related thereto. In addition, the Staff Sides also request their engagement in the process of consideration. On balance, the Commission considers the second option, with its responsiveness, more preferable. It is also the option supported by most of the Staff Sides. The Commission therefore **recommends** this option for consideration by the Government. If this option is adopted, the next PLS will be kickstarted in 2019.

Chapter 7

Specific Study on Qualification Group 8 (Degree and Related Grades)

Background

7.1 In the 2015 SSS, the Commission observed certain unique features and characteristics of QG 8 in the civil service and the degree graduate entry-level positions in the private sector including –

- (a) a relatively larger pay dispersion of degree graduate entry-level positions in the private sector as compared to other QGs;
- (b) a widening pay difference between the civil service benchmark pay of QG 8 and the comparable upper quartile (P75) pay level in the private sector; and
- (c) a lower growth rate of the starting pay of degree graduate entry-level positions in the private sector as compared to other QGs.

7.2 Having considered relevant key considerations and principles under the holistic approach, the Commission recommended no change to the civil service benchmark pay of QG 8. The Commission further recommended that a specific study on QG 8, using a broader and longer perspective approach, should be conducted to investigate further into the distinctive features and characteristics of this QG and to gain a better understanding of the phenomenon. The study result could also be used as the basis to determine whether, in relation to QG 8, the SSS survey methodology should be improved and how future survey findings should be applied.

7.3 To ensure consistency and comparability with the results of the previous SSSs, the same methodology as in the 2015 SSS has been adopted in the study for collecting pay data of degree graduate entry-level positions in the private sector. A total of 74 participating private sector organisations, which cover a wide range of economic sectors in Hong Kong¹¹, have supplied the data. In addition to the quantitative data, information such as company policies in relation to career progression and promotion, turnover rate, and training and development opportunities for degree graduate entry-level positions in the private sector, has also been collected and analysed.

Findings on QG 8

7.4 The study shows that the gap between the P75 pay level for degree graduate entry-level positions in the private sector and the civil service benchmark pay of QG 8 (at MPS Point 14) has continued to widen, from -8.8% (\$20,432 vs \$22,405) in the 2012 SSS and -15.3% (\$21,590 vs \$25,505) in the 2015 SSS to the latest figure of -19.8% (\$23,045 vs \$28,725) in 2018.¹²

7.5 The degree of variance (i.e. the ratio of the upper quartile to lower quartile) for the pay of degree graduate entry-level positions has dropped slightly from 1.43 (as recorded in the 2015 SSS) to 1.36, but is still higher than that of most of other QGs as revealed in 2015.

7.6 In addition to taking a snapshot at the point of entry, the Consultant has also collected information on the pay progression of private sector degree graduate positions for the first 11 years along the career path. The actual salaries received by the degree graduates are grouped according to

¹¹ The economic sectors are accommodation and food services (3%), construction (14%), financing, insurance and real estate (22%), information and communications (3%), manufacturing (5%), professional and business services (8%), social and personal services (20%), transport, storage, postal, courier services and utility (16%) and wholesale, retail and import/export (9%).

¹² Cumulatively, the pay for degree graduate entry-level positions in the private sector shows a moderate growth of 12.8% during the period from 2012 to 2018, as compared to 28.2% growth for QG 8 ranks in the civil service.

their years of experience over an 11-year timeline for comparison with the civil service QG 8 ranks who advance with years of experience. The Commission notes that while the pay of QG 8 ranks in the civil service consistently leads the degree graduates in the private sector along the first 11 years of the career path before reaching the managerial level, the pay of degree graduates in the private sector increases at a faster rate than that of QG 8 civil servants.

7.7 The Commission observes that the different remuneration practices of the private sector and the Government have contributed to the widening gap between the benchmark pay of QG 8 ranks and the pay of private sector degree graduate entry-level positions. While all qualified degree graduates found suitable for appointment to a civil service QG 8 entry rank are offered the same pay by the Government, different pay may be offered to different candidates selected in the private sector, within an acceptable range, having regard to factors such as specific skills, personal qualities and attributes, and experience.

7.8 Multiple factors contribute to the wide dispersion observed. These factors include the supply and demand for specific professional knowledge and skills, the large variety of roles offered to degree graduates, the different streams of jobs in the same organisation in the private sector and the different pay offered to degree graduates according to their calibre and abilities.

7.9 As for the 11-year timeline, the Commission observes that the pay progression for the private sector is a generalised one and it must be interpreted against important qualitative information such as the inherent differences between the private sector and the civil service in human resources management practices. Such practices will lead to a better understanding of the pay difference from a longitudinal perspective.

Inherent differences between the private sector and the civil service in human resources management practices

7.10 Unlike the civil service which is establishment-tied, hierarchical and structured, the private sector has highly flexible and varied career paths which are influenced more by individual performance, performance of the organisation and market situation. These different progression and pay practices are crucial driving forces for private sector employees to sustain their high performance with a view to getting a faster and/or bigger pay hike upon promotion. For example, management trainee and fast-tracking programmes allowing high performers in the private sector to be promoted to the managerial positions in short periods of time and to receive significant pay increases are not captured in the study. While the present study does not cover the pay for managerial positions, the Consultant's in-house pay survey shows that the increase in pay could range from +153% to +217%¹³ for degree graduates progressing up from entry positions to the managerial level.

7.11 The turnover rates for degree graduate positions in the private sector (ranging from 9.5% to 19.9% from 2015-16 to 2017-18 for positions at different tiers of the non-managerial ladder) are significantly higher than the corresponding civil service rates (1.4% to 1.5%). Private sector employees often resort to job switching to improve their prospect and this is particularly common for entry positions. For the civil service, employment is normally considered to be permanent until the prescribed retirement age.

7.12 Private sector organisations commonly recruit new staff at different levels while civil service recruitment is confined principally to the basic or entry ranks. In relation to QG 8 ranks in the civil service in particular, at the time of intake, new recruits are expected to possess the necessary skills and, most importantly, potential to rise up to senior positions in their respective grades. Correspondingly, the training provided to new recruits in the civil service is structured and comprehensive, preparing for

¹³ The P75 pay level of actual salaries received by incumbents of degree graduate entry-level positions with experience less than one year (i.e. \$19,923) captured in the specific study on QG 8 is used as the basis of comparison.

their career development in the long term. On the other hand, training provided to private sector employees tends to be primarily result-oriented, focusing on enhancements in technical skills and know-how to enable staff to deliver quick and tangible results.

7.13 The Commission considers that due regard should be given to such inherent differences in human resources management practices between the private sector and the civil service when interpreting any pay differential recorded at the point of entry.

Augmented supply of degree graduates and its implications for the labour market

7.14 As part of the specific study, the Consultant has also analysed the macro context in terms of the supply and demand of degree graduates and its implications for the labour market for the purpose of gaining a holistic and broader understanding of the pay difference as observed. The Consultant notes that the number of full-time local university graduates has surged by over 66.1% in seven years' time (from some 20 950 in 2009-10 to 34 797 in 2015-16), with the accredited self-financing sector showing the largest expansion. The proportion of degree holders in the workforce has also tripled from 9% to 29% during the period from 1994 to 2015, but the creation of high-end jobs is unable to keep pace with the increased supply of degree graduates.¹⁴ More and more degree graduates take up jobs requiring less professional knowledge (such as clerks and service workers) which results in a relatively lower pay package. The Consultant expects that the increase in entry pay for degree graduates in the private sector will remain moderate and the pay gap will persist in the near future.

¹⁴ Source: Research Office, Legislative Council Secretariat, "Challenges of manpower adjustment in Hong Kong (Research Brief, Issue No. 4, 2015-2016)", June 2016

Recommendations for QG 8

7.15 Given the pay difference caused by multiple factors as elaborated and that qualification requirement is no longer the sole determining factor for the pay of entry-level positions in the private sector, the Commission **recommends** that when an SSS covering QG 8 is conducted, the present holistic approach should continue to be adopted in interpreting survey results for degree graduates in the private sector and with greater flexibility in relation to the QG. In view of the different nature of positions collected under the QG-JF framework, the Commission **recommends** that the feasibility of a more precise selection of private sector jobs for comparison with QG 8 ranks in the civil service should be explored before the survey commences. The survey should focus more on studying the pay for entry positions in the private sector that have broadly comparable nature and job duties as those in the civil service.

Findings on QG 3 Group I (Higher Diploma or Associate Degree Grades) and QG 4 (Technical Inspectorate and Related Grades: Higher Certificate or equivalent qualification plus experience)

7.16 In the previous SSSs, market data collected were insufficient in meeting the vetting criteria of covering at least 15 surveyed organisations for QG 3 Group I and QG 4. The specific study on QG 8 also collects information pertaining to these two QGs so as to ascertain the recognition of such qualifications in the private sector and the respective pay levels. The information is intended for reviewing the internal relativities between the benchmark of QG 8 and those of the adjacent QGs.

7.17 The Consultant is again unable to obtain sufficient pay data from the 74 participating organisations in relation to QG 3 Group I and QG 4. 48.6% of the participating organisations recognise the Higher Diploma or Associate Degree (or its equivalent) for mainly technical or works-related positions, the functions of which are significantly different from those of the ranks in QG 3 Group I which all fall under JF 4 (Public Services (Social and

Personal Services)). Only 35.1% of the participating organisations have positions for Higher Certificate and Diploma holders, but the post-qualification experience required is substantially less than that for QG 4 positions in the Government. The majority of these positions are technical or works-related while the ranks in QG 4 fall under various JFs.

7.18 The Consultant also observes that seven participating organisations have recruited a total of 183 employees who possess degree qualifications for JF 4 functions instead of employing graduates with a Higher Diploma or Associate Degree.

7.19 The Consultant advises that, given this market trend, this specific QG 3 Group I-JF 4 combination greatly limits the survey field, resulting in the insufficiency of market data. Furthermore, the Consultant advises that as long as the public sector remains the major employer in the relevant labour market (hence the private medical and health sector, which offers the majority of jobs in that QG-JF combination but follows closely the Government in setting their pay, will continue to be excluded from the coverage of the SSS), it is still unlikely that sufficient data can be collected in future SSSs even if the vetting criteria are adjusted to include more private sector organisations.

Recommendations for QG 3 Group I and QG 4

7.20 For QG 3 Group I and QG 4, the Commission concludes that without sufficient data collected from the survey, there cannot be a direct basis for reviewing the existing benchmarks. For SSSs in the future, the Commission **recommends** that the consultant of the next survey explore the relaxation of the vetting criteria for QG 4 (for example, from at least 15 surveyed organisations to ten) to include more private sector organisations. For QG 3 Group I, the Consultant expects that the data insufficiency issues will persist in the future. In this connection, the Commission notes that some Staff Sides consider the qualification and/or experience possessed by the civil service recruits of some of the ranks are different from and usually higher than the entry requirements. In view of this, the Commission

recommends that the Government further consider the issues identified in relation to the QG framework in the light of the findings of future pay surveys.

Chapter 8

Research on Civil Service Pay Arrangements in Overseas Countries

8.1 As mentioned in Chapter 2, a research has been conducted on civil service pay arrangements in overseas countries. Five countries, viz, Australia, Canada, New Zealand, Singapore and the United Kingdom have been selected.

Observations

8.2 The research shows that each of the countries surveyed has developed different approaches to civil service pay administration to meet its specific needs. Given the considerable differences in cultural, social and political environments amongst the five countries surveyed and Hong Kong, their remuneration practices, no matter individually and collectively, may not be directly applicable to or appropriate for Hong Kong. It is also worth noting that Hong Kong's current fiscal position is strong, whereas budgetary constraint is a very important factor in setting public sector pay in some of the surveyed countries.

8.3 With the above caveats, the Commission notes that the approaches to civil service pay in the five countries have the following common or prevalent features –

- (a) with policy guidance from the central government, pay determination and adjustment being decentralised to individual departments and agencies;
- (b) a greater emphasis on affordability in determining remuneration strategies, with data from pay surveys being

used as a reference to inform the pay adjustment process only;

- (c) simplification and transparency of pay structure as well as the reduction and consolidation of allowances;
- (d) strong linkage between pay adjustment and performance; and
- (e) provision of national retirement protection and medical insurance schemes which benefit all citizens including civil servants.

Implications for Hong Kong

8.4 The Commission observes that changes that have been introduced to civil service pay practices in overseas countries are often complementary to broader human resources management reforms being implemented in the countries concerned. Pay arrangements introduced were often associated with changes in economic conditions. The various pay practices adopted by different countries must therefore be viewed in their proper context.

8.5 The Government has put in place a series of measures in the course of the Civil Service Reform since 1999 to restructure the administration of the civil service so as to provide the necessary flexibility and capability to allow the civil service to respond quickly to community needs. The *Improved Mechanism* has also been put in place since 2007 after a long process of deliberation among the relevant stakeholders. The Commission does not see a strong reason for the Government to initiate fundamental changes to the management of the civil service solely for the purpose of following international practices. Other relevant factors should be taken into account in addition to findings of pay surveys in determining pay adjustments.

8.6 The Commission also notes that the holistic approach that it has adopted in considering the results of previous rounds of the PLS and SSS, under which a basket of factors are taken into account in the application of the findings, is in tandem with the common trend identified in the five countries surveyed. The Government may also wish to maintain close dialogue with bureaux and departments with a view to identifying areas of enhancement in centrally administrated arrangements and exploring solutions in human resources management as appropriate.

Chapter 9

Acknowledgements

9.1 In this final chapter, the Commission wishes to express its appreciation to all parties concerned which have contributed to the smooth conduct of the Review.

9.2 The Commission would like to express its appreciation to all parties which have contributed to the review. We would like to thank the Staff Sides for the useful views expressed during the consultation meetings. We would also like to thank the Civil Service Bureau, the Education Bureau, the Census and Statistics Department and the University Grants Committee Secretariat for sharing with us their information and data in course of the Review. Our thanks also go to the participating private sector organisations for their support and co-operation on the specific study on QG 8.

9.3 Last but not least, the Commission would like to express our gratitude to the staff of the Joint Secretariat for their hard work and dedicated support throughout the exercise.

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

Chairman

Dr Wilfred Wong Ying-wai, GBS, JP

Members

Mrs Edith Chan Ngan Man-ling, MH (since 1 January 2018)

Mr T C Chan, BBS, JP

Ms Christina Maisenne Lee (since 1 August 2018)

Mr Lee Luen-fai, JP

Mr Lee Ming-kwai, GBS

Ms Angela Lee Wai-yin, BBS, JP

Mr Joseph Lo Kin-ching

Ms Elaine Lo Yuen-man

Professor Suen Wing-chuen, JP (until 31 December 2017)

The Hon Tony Tse Wai-chuen, BBS

Dr Carrie Willis Yau Sheung-mui, SBS, JP (until 31 July 2018)

Mr Wilfred Wong Kam-pui, JP

**The delineation of five JLs and three salary bands
in respect of civil service pay scales in the PLS and the PTS**

<p>Five JL approach used in 2013 PLS</p>	<p>Three salary band approach used in 2018 PTS</p>
<p>JL 1 (MOD 1 Points 0-13 and MPS Points 0-10) Operational staff</p>	<p>Lower salary band (Below MPS Point 10)</p> <p>Middle salary band (MPS Points 10 – 33)</p>
<p>JL 2 (MPS Points 11-23) Technicians and assistant executives / professionals</p>	
<p>JL 3 (MPS Points 24-33) Middle-level executives and professionals</p>	
<p>JL 4 (MPS Points 34-44) Managerial and senior professionals</p>	<p>Upper salary band (MPS Points 34 – 49)</p>
<p>JL 5 (MPS Points 45-49) Senior managers and lead professionals</p>	

**The existing five JF categorisation in the PLS and
the alternative six or eight JF categorisations**

Five JFs (current categorisation)	Six JFs	Eight JFs
Clerical and secretarial	Clerical and secretarial	Clerical and secretarial
Internal support	Internal support	Internal support (Corporate Services)
		Internal support (Technical & Operation)
Public services	Public Services (Personal, Social & Community)	Public services (Social and Personal Services)
	Public services (Physical Resources)	Public services (Community)
		Public services (Physical Resources)
Works-related	Works-related	Works-related
Operational support	Operational support	Operational support

Eight JF categorisation adopted in the SSS

Job Family (JF)	Description
JF 1	Clerical and Secretarial
JF 2	Internal Support (Corporate Services)
JF 3	Internal Support (Technical and Operation)
JF 4	Public Services (Social and Personal Services)
JF 5	Public Services (Community)
JF 6	Public Services (Physical Resources)
JF 7	Works-Related
JF 8	Operational Support

