

The Secretary-General of the Standing Commission
on Civil Service Salaries and Conditions of Service

3.25 The Secretary-General of the Standing Commission on Civil Service Salaries and Conditions of Service thought there was nothing wrong with the pay trend survey process so far as the gathering of information and data for the calculation of gross pay trend indicators was concerned. He was satisfied with the Controller of the Pay Survey and Research Unit's finding that there was no evidence to show that general increases had been disguised as merit payments; nor was there any evidence to indicate a growing trend in the proportion of merit payments to the total adjustment, in the number of merit-rewarding companies providing separate data on merit payments, and in the number of companies in which all or nearly all of the employees had received merit payments.

3.26 In relation to the Staff Side's comments on the lack of a clear definition of "promotion" and concern about a particular case in which promotion was given to a large number of staff in the company, the Secretary-General's response was that in defining

promotion, care must be taken not to impose standards which were based on civil service practice only. As regards the particular company in question, the Controller had checked the information provided by the company and was fully satisfied with its accuracy and reliability.

3.27 Commenting on the recommendation made by the Staff Side to refine the definition of various components in private sector pay awards, the Secretary-General cautioned that if this meant that the surveyed companies would be required to explain in detail their decisions on a range of issues concerning pay and personnel matters, so as to account for all their reported pay increases, some companies might be reluctant to respond. As a result the survey field would be reduced.

3.28 As regards the suggestion to expand the survey field, the Standing Commission had an open mind. There was also no objection to including public utilities or multi-national companies if they satisfied the criteria for inclusion.

3.29 In response to the Staff Side's complaint about the consultative system, the Secretary-General said that the Standing Commission was only an advisory body. All

views conveyed to the Standing Commission were considered before recommendations were made to the Administration. The pay trend surveys had been conducted in a manner as open as the situation allowed. Any questions from the Staff Sides on the methodology of the survey for a particular year should be raised and discussed at the Pay Trend Survey Committee meeting held in the previous year and not after the surveys had already been completed. As far as the 1987-88 Pay Trend Survey was concerned, the method of interpretation of the findings was exactly the same as that agreed in the previous year.

3.30 Recognising that there were difficulties with the categorization and distillation of information for the calculation of the net pay trend indicators, the Standing Commission was firmly of the view that gross pay trend indicators should be used. All elements of pay increases given by the participating companies, with the exception of those relating to promotion or transfer, should be included in the calculation of gross indicators, which should then be discounted by the average value of civil service increments. It was for the Administration to arrive at an appropriate method for actual discounting.

3.31 These points were expounded further in writing by the Secretary-General in response to the opening submissions of the Official and Staff Sides.

Private Sector Organizations

3.32 These submissions generally expressed the view that the 1988 civil service pay adjustment was in line with the rate of increase in the private sector. The principle and methodology of the pay trend survey were endorsed.

3.33 It was suggested that the civil service had been leading the private sector in pay and fringe benefits notwithstanding the fact that, in general, short-term incentives should be greater in the private sector to compensate for the lack of job security.

3.34 Whilst considering that the net pay trend indicators should continue to be used for the determination of civil service annual pay adjustment, the Chinese Manufacturers' Association of Hong Kong would like the survey field to be expanded to include more manufacturing establishments and to cover the smaller manufacturers, i.e. those employing not less than 50 employees.

3.35 The Hong Kong Institute of Personnel Management submitted that the pay increases awarded to civil servants in consequence of the pay trend surveys had for the past four years been greater than those awarded in the private sector as measured by the Institute.

3.36 Commenting on the methodology of the pay trend survey, the Institute was critical of the use of industrial weighting on the grounds that the choice of participating companies was not random. It was also felt that there were elements contained within the "general increase" awarded by some companies which should be defined as merit rather than general.

3.37 The Institute suggested that gross pay trend indicators which included merit increases in the private sector but were reduced to take appropriate account of civil service in-scale increments should be used in future to determine pay adjustments for the civil service.

3.38 Moreover, the Institute proposed that independent remuneration consultants should be engaged to review existing pay trend survey methodology, audit the data gathered from the surveyed companies and recommend a

practical solution to the problem of adopting gross pay trend indicators.

Closing Submission of the Staff Side
of the Senior Civil Service Council

3.39 In further oral evidence and in their closing submission, the Staff Side responded to the comments made by the Official Side, the Secretary-General of the Standing Commission on Civil Service Salaries and Conditions of Service and the Controller, PSRU. Other submissions to the Committee were also commented upon. The following were the main points made.

3.40 Regarding the suggestion which had been made in a number of the submissions to the Committee that gross pay trend indicators should be used in pay trend surveys, the Staff Side agreed that this system would be less subject to criticism. However, in the Staff Side's view, the system would still be unsatisfactory as there was still the possibility that what should be part of general increases could be attributed to promotions, transfers and retitling of jobs. There was a need to decide on what components of pay increases should be excluded from calculation of gross pay increases. They pointed out that private sector employers made no secret about their

support for containing the size and level of pay of the civil service. Under the present tight labour market situation when salaries needed to remain competitive, the Staff Side thought that there would be strong pressure to contain pay increases for civil servants.

3.41 If it was decided that gross pay trend indicators should be used, the Staff Side considered that there should be no discounting for civil service increments. They reiterated their view that civil service increments were not analogous to merit pay in the private sector and should only be regarded as compensation for increased experience and lack of promotion opportunities.

3.42 As regards the question of whether the allocation of pay awards to merit was on the increase, the Staff Side said that they had checked with the Controller of PSRU, but remained of the opinion that the data produced in their opening submission still supported their claim that more and more companies were making merit payments and that merit payments as a proportion of general increases were increasing. Also, even after adjusting the figures having regard to the comments made by the Official Side, the results still showed that gross

pay for the civil service was falling behind that in the private sector.

3.43 The Staff Side expressed disagreement with the Secretary-General of the Standing Commission on Civil Service Salaries and Condition of Service's submission that the pay trend survey methodology had been agreed by the Staff Side and that their views had been taken into account by the Standing Commission. It was explained that although they had agreed to the general methodology, the Staff Side considered the definitions of the component factors to be inadequate. In their view due consideration had not been given to the objections which they had raised in the Pay Trend Survey Committee meetings. They pointed out that there was a Pay Survey Advisory Committee, which was also responsible for advising the Standing Commission on the pay trend survey methodology and on which they were not represented. The Staff Side said that there had been no consultation with the staff once the Standing Commission had made its recommendations to Government and there was no system for seeking the Staff Side's agreement before implementation of the Standing Commission's recommendations.

3.44 Referring to the submission made by the Hong Kong Institute of Personnel Management, the Staff Side first pointed out that since the membership of the Institute consisted mainly of personnel managers of private sector companies, the opinions expressed might therefore reflect private sector employers' views on pay increases for the civil service. As regards the comparisons made by the Institute between the results of its survey and that of the PSRU, the Staff Side considered these inappropriate since the assumptions, the survey periods and the survey fields were different. On the Institute's assertion that some general increases awarded by companies should be treated as merit payments and that there was therefore an exaggeration of general increases, the Staff Side's comment was that merit pay should be an award given to staff on an individual basis. As a counter-argument, it was possible that merit increases had been inflated and that general increases were less than they should have been.

3.45 As regards the Official Side's comments on staff morale, the Staff Side considered that if morale was at such a low level as to be publicly acknowledged by the Administration, the situation would already be beyond remedy. It was felt that morale could not be easily gauged and to use wastage as the only indicator was misleading.

The Staff Side believed that prevention was always better than cure.

3.46 We have carefully considered all the submissions received and had regard to all the views expressed before arriving at the findings contained in the following Chapter.