

CHAPTER THREE

PAY HISTORY AND BACKGROUND

Civil service pay scales

3.1 The salary of each rank in the civil service is set at specific pay points in one of the following pay scales :-

- (a) Directorate pay scale
A fixed point pay scale for all officers at the directorate level, including disciplined services staff;
- (b) Master pay scale
The principal pay scale for non-directorate staff;
- (c) Model scale 1
The term "Model Scale" to describe the pay scales on which a particular group of civil servants serve comes from the time when all civil servants below the directorate level served on a number of model scales. This group now comprises employees equivalent to "blue collar workers" in the private sector;
- (d) Disciplined services pay scale (officer)
For all staff holding non-directorate officer ranks in the disciplined services;
- (e) Disciplined services pay scale (rank & file)
For all rank & file of disciplined services;
- (f) Training pay scales
Applicable to training ranks ranging from Student Aeronautical Communications Officer to Technician Apprentice.

The situation pre-1974

3.2 The pay structure of the Hong Kong civil service has gradually evolved over the years. During the 1950s and 1960s it was the practice, every five or six years, to appoint a salaries commission to review both the general level of pay and the structure of individual grades.

3.3 Following the acceptance of the recommendations of the 1965 Salaries Commission, basic principles of pay policy emerged. In essence,

- (a) the Government subscribes to the principle of fair comparison with the current remuneration of private sector staff employed on broadly comparable work, taking account of differences in other conditions of service; and
- (b) the civil service has a reasonable claim to the maintenance of real income on the evidence of cost of living indices, provided it can be demonstrated that this is also the experience of other employees.

The Pay Investigation Unit (now the Pay Survey & Research Unit) was therefore set up in 1968 with the task of collecting and analysing information on private sector pay and conditions of service.

3.4 The 1971 Salaries Commission recommended a new system of occupational classes (i.e. groups of grades with some degree of functional affinity). Between 1972 and 1974, the Pay Investigation Unit conducted a series of surveys trying to compare groups of civil service jobs with similar jobs in the private sector. This subsequently proved to be too difficult and the attempt to implement the occupational class system was not pursued further.

3.5 As inflation gathered momentum in the early 1970s it became clear that it would be necessary to adjust the general level of civil service pay at more frequent intervals than in earlier years. In 1972 and 1973 awards were made on the basis of cost of living data. The first pay trend survey - designed to provide estimates of annual pay movements in the private sector - was conducted in 1974 because the Government decided that the most effective means of ensuring that civil service pay moved broadly in line with that of the private sector was through such annual surveys.

3.6 In considering the size of the pay adjustment for the civil service the Government necessarily takes into account factors other than the pay trend survey results, in particular the current social, economic and budgetary situation.

Significant pay structure reviews (1973 - 1979)

3.7 We consider that in most respects 1979 is a convenient starting point for our review because the pay and conditions of service of all the disciplined services were last comprehensively reviewed at that time, together with the rest of the civil service; but some of the earlier history remains relevant. Immediately prior to the 1979 review, the Officer ranks were paid from the Master Pay Scale (MPS) and there were separate pay scales for the rank & file of individual disciplined services.

3.8 The pay scales for the rank & file of the disciplined services in the years leading up to 1979 were determined largely by the 'Willink' formula. This formula was devised, in the 1973 Special Review of Police Pay, on the basis of that used by the 1960 Royal Commission on the United Kingdom Police chaired by Sir Henry Willink. The same formula was applied in reviewing the pay of the rank & file in the other disciplined services in 1974. The minimum and maximum salaries for recruitment ranks were set by taking the minimum of the Unskilled Labourer (now Workman II) scale and the maximum of the then Artisan I scale and applying percentage increases to take account of the special nature of the work in the disciplined services, i.e. long, irregular and unsocial hours, ineligibility for overtime pay, danger, subjection to discipline and social segregation.

3.9 The Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission), under the chairmanship of the Hon Sir Y K Kan, GBE, JP, was first appointed in January 1979 by His Excellency Sir Murray MacLehose, GBE, KCMG, KCVO (now Lord MacLehose), then the Governor of Hong Kong.

3.10 The Standing Commission recognised that the disciplined services occupy a special place within the civil service. Para. 6.1 of the First Report on Civil Service Pay (Report No. 2 of the Standing Commission) dated October 1979 states :-

"6.1 The disciplined services occupy a special place within the civil service, in our opinion justifiably so. While their duties and responsibilities vary widely they all have an important role to play in the security, safety and well-being of Hong Kong and its people. They are subject to strict disciplinary codes and their work can be dangerous, distasteful and unpopular. Other civil servants claim that their work is dangerous, distasteful and unpopular and that they are of equal value

to the community. We consider, however, that the extent to which the disciplined services are subject to these conditions is of a sufficiently greater degree to warrant their forming a separate group within the civil service and we propose to treat them as such in this review."

3.11 In the 1979 review, the Standing Commission concluded that while the factors used in the 'Willink' formula were at the time still relevant, the principle itself should be abandoned in favour of an approach which did not use any precise formula for determining pay but instead, as outlined in the Edmund-Davies Report on the United Kingdom Police, made the best judgement possible having regard to all the relevant factors. In addition to the factors included in the 'Willink' formula (see para. 3.8 above), the Standing Commission had regard to the variety and complexity of duties, the individual responsibility at each rank level, general working conditions, and recruitment and retention difficulties.

3.12 One of the major recommendations in the Report No. 2 of the Standing Commission was to have special pay scales for the disciplined services. Paragraphs 6.4 and 6.5 of Report No. 2 set out the rationale behind the proposal :-

"6.4 The existing arrangements whereby the rank and file of the disciplined services are paid from a number of separate scales and the officer ranks from the Master Pay Scale are, in our opinion, unsatisfactory. From the representations we have received it is clear that the attempt to establish differences between the disciplined services at the rank and file level by paying them on different scales with varying incremental steps has not resolved internal relativity arguments. Rather it has provided grounds for further argument over the size and number of increments. Furthermore, the factors which justify affording the disciplined services special treatment apply in large part, if not equally, to the less senior officer ranks. Thus the circumstances which warrant a separate pay scale for the rank and file also merit a separate scale for those less senior officers.

- 6.5 We therefore propose that in future the disciplined services should have their own consolidated pay scale. The very real differences between the services would then be reflected by assigning appropriate pay levels to the various ranks within a single scale, just as the differences between grades in the rest of the civil service are reflected within the framework of the Master Pay Scale."

The Disciplined Services Pay Scale (Officer) was designed for the non-directorate Officer ranks in all the disciplined services to replace the use of the MPS. The Disciplined Services Pay Scale (Rank & File) was introduced to replace a number of separate scales for the rank and file of various disciplined services.

3.13 The pay scales for various disciplined services recommended in Chapter 6 of the Report No. 2 of the Standing Commission and accepted in full by the Government are set out in Annex 3.1. Subsequent adjustments made by the Standing Commission are set out in Annex 3.2. They included the extension of the top end of the MPS and DPS(0) scales and revision of pay scales for the Instructor (Prisons) grade (now Instructor (Correctional Services) grade) and the Immigration Assistant grade.

The review of pay policy (1980 - 1982)

3.14 The system of annual pay adjustment for the civil service described in paragraphs 3.5 and 3.6 above was the subject of considerable criticism by certain sections of the public. One of the shortcomings of pay trend surveys as identified by the Standing Commission was that pay increases in the private sector often include an element of compensation for rises in the cost of some items, such as housing, which are already provided as fringe benefits to some civil servants. However, as pay trend surveys take account of total pay rises in the private sector, this element could not be isolated and would therefore automatically be reflected in civil service salaries as part of general salary increases. The Standing Commission therefore considered that civil service salaries might be distorted by the use of pay trend surveys. Consequently, the Wyatt Company (HK) Limited was engaged to examine the system. The outcome of this investigation led the Standing Commission to the conclusion that it was essential that future arrangements for determining the general levels of civil

service pay should take into account the total package of pay and other benefits in both the civil service and the private sector. This principle was accepted by the Governor-in-Council in March 1983.

The 1986 pay level survey

3.15 In 1985, the Standing Committee on Directorate Salaries and Conditions of Service carried out a survey of pay and some fringe benefits at the directorate level and concluded that directorate salaries in the civil service had fallen behind those of their private sector counterparts. The Government's acceptance of the Committee's recommendation, that an increase of between 6.4% and 13.5% should be awarded on directorate salaries, led to demands for similar increases from non-directorate staff. The Standing Commission was asked to advise whether non-directorate salaries had in fact, fallen behind those in the private sector. The Standing Commission conducted a cumulative comparison of the Pay Trend Indicators and actual pay awards during the period 1979-80 to 1984-85 as an interim measure because it was realised that a pay level survey of both pay and benefits would take a considerable time to complete. On the basis of the Standing Commission's findings, the Government made an offer of a 2% increase, subsequently revised to 2.7%, to non-directorate staff, on the understanding that a full pay level survey would be conducted. The Standing Commission was thus invited, in February 1986, to conduct a pay level survey for non-directorate civil servants to assess whether or not the existing remuneration for civil servants below the directorate level, including both salaries and fringe benefits, was broadly in line with that of employees in the private sector undertaking comparable work.

3.16 Two consultancy firms, namely, Towers, Perrin, Forster and Crosby Inc. (TPF & C) and Hay Management Consultants (Hong Kong) Ltd. (Hay), were engaged by the Standing Commission at different stages in connection with the pay level survey. TPF & C were responsible for advising on the development of a practical method of valuing those fringe benefits to be included in total packages for the purpose of pay comparisons. Hay were responsible for devising a methodology for evaluating and comparing jobs in the civil service with those in the private sector, and for conducting the pay level survey itself.

3.17 Hay presented their initial report on the Pay Level Survey in November 1986. Following that, the staff side of the Police Force Council decided to withdraw its

representatives from the Pay Level Survey Advisory Committee because it did not wish to be involved in the controversy which was associated with the pay level survey. A month later, the Staff Side of the Senior Civil Service Council also announced its withdrawal.

3.18 The Final Report on the 1986 Pay Level Survey was subsequently submitted by the Standing Commission in February 1987. The Staff Side of the Police Force Council maintained that the survey was incomplete and had no application to the police force and that the unique nature of police duties had not been taken into account. The Standing Commission expressed the same view in its Report No. 18. The Governor-in-Council accepted the results of the survey in principle and announced that consideration would be given to how they should be reflected in civil servants' total pay package in future. Later, the Governor-in-Council, recognizing the incompleteness of the survey as it affected the disciplined services and the time which had elapsed since the 1979 review, decided on 26 January 1988 that the Standing Commission should commission a review of the pay and conditions of the disciplined services by an independent committee, the review which we are now undertaking.

3.19 Pay movements since 1961 in the disciplined services relative to corresponding mainstream grades are shown in graphic form in Annexes 4.1-4.12, and discussed in Chapter 4 below.