

SECTION 5

COLLECTION AND ANALYSIS OF DATA

5.1 Data Sources

The Commission asked the fifty employers (see Appendix 2) taking part in the PTS to provide us with further information. Of these employers, forty-seven were able to participate and we visited all of these to collect the data.

For the Civil Service we were provided with documents detailing the benefits and terms and conditions of service. The information relating to the Civil Service is summarized in Appendix 1.

5.2 Stage Points

The year, for the purpose of PTS, runs from 2 April in one year to 1 April in the following year. Our investigation covered changes in benefits and pay during the following two one-year periods:-

2 April 1979 to 1 April 1980
2 April 1980 to 1 April 1981.

Employers revise their pay and benefits at different times. For the purpose of our investigation we collated the data to the 1 April at the end of the year to which it referred. These dates we called the "stage points" of our investigation which were:-

1 April 1979
1 April 1980
1 April 1981.

5.3 Classification of Employees

The data were collected separately for five categories of staff which were

regarded as comparable to broad pay bands within the Civil Service as follows:

- MOD1 comparators
- MPS lower band comparators
- MPS middle band comparators
- MPS higher band comparators - local employees
- MPS higher band comparators - expatriate employees.

Although the Civil Service does not differentiate in so far as pay is concerned between local and expatriate categories of staff, it was necessary to make such distinctions in the collection of data relating to benefits and conditions of service of the surveyed employers, as separate arrangements for these groups tend to occur in the Private Sector.

5.4 Standardization of Data to the Three Stage Points

5.4.1 Standardization of Salary - First Stage Point

For each employer, pay was standardized to 100 at the first stage point (1 April 1979).

In order to establish a monetary value for the standard pay of 100, the mid-points of the pay bands appearing in the PTS analysis for 1978/79 were taken. To fix a lower limit for the first pay band, the average of the lowest recorded salary for each employer was calculated.

5.4.2 PTS Pay Bands

The pay bands used were as follows:-

PTS Pay Bands

Category of Staff	Pay Bands			Mid Point of Pay Band 78/79 (to equal 100 as Starting Base)
	78/79	79/80	80/81	
MOD1	less than \$2,200	less than \$2,600	less than \$3,000	\$1,500
MPS - Lower	less than \$2,200	less than \$2,600	less than \$3,000	\$1,500
MPS - Middle	\$2,200- \$6,299	\$2,600- \$7,099	\$3,000- \$8,299	\$4,250
MPS - Higher (Local)	\$6,300- \$10,100	\$7,100- \$11,200	\$8,300- \$15,230	\$8,200
MPS - Higher (Expatriate)	\$6,300- \$10,100	\$7,100- \$11,200	\$8,300- \$15,230	\$8,200

5.4.3 Exclusion of Merit Increases

We recorded the increases in pay excluding the components due to merit. Some employers were able to identify this explicitly but other employers were unable to do so. For the latter category of employer we made an assumed deduction for merit which was equal to the average of the merit component of pay increases for those employers who were able to identify it. This average amounted to 3.7% p.a.

5.4.4 Standardization of Benefits: First Stage Point

The value at 1 April 1979 of each benefit was expressed as a percentage of salary at 1 April 1979. Certain benefits were calculated directly as a percentage of salary (e.g. most retirement scheme benefits). Other benefits were calculated as cash amounts (e.g. housing allowances) and then expressed as a percentage of the mid-point of the relevant pay band (see Section 5.4.2).

5.4.5 Standardization of Pay and Benefits: Second and Third Stage Points

The general movements in basic pay for each category of staff for

each employer at the second and third stage points were recorded and expressed as an increase on 100.

Example 1

An employer gave a 12% pay increase between 2 April 1979 and 1 April 1980 and 14% between 2 April 1980 and 1 April 1981. The pay index for the employer would be:-

<u>Stage Point</u> <u>1 April</u>	<u>Pay Index</u>
1979	100
1980	112 (100 x 1.12)
1981	128 (112 x 1.14)

The same procedure for benefits as described in Section 5.4.4 was applied for the second and third stage points. The results were expressed either as a cash amount in relation to base salary or as a percentage of the current salary at each year.

Example 2

A benefit, after the utilization adjustment, is worth 25% of pay at all three stage points of the example shown above. The indexation of the benefit would therefore be:-

<u>Stage Point</u> <u>1 April</u>	<u>Indexation of Benefit</u>
1979	25 (25% of 100)
1980	28 (25% of 112)
1981	32 (25% of 128)

If at 1 April 1981 the benefit had been improved, and was worth 30% of salary instead of 25%, the final figure would be 38 (i.e. 30% of 128) instead of 32.

5.4.6 Tabulation of Results for each Employer

The results of the indexation were tabulated as shown in the following example:-

Employer :
 Pay Band :

Item	1.4.79	1.4.80	1.4.81
Pay	100	112	128
Retirement	18	20	23
Housing	26	34	38
Travel
.....
.....
.....
Total Pay + Benefits	175	200	241

5.5 Private Sector Pay and Benefits Movement

The tabulation described in Section 5.4.6 for each of the 47 employers participating in the assignment was combined to form a single tabulation for the Private Sector. In the Private Sector tabulation the results were weighted by the number of employees of each employer. This tabulation is referred to as the Private Sector Trend according to survey weightings. We also calculated a different set of results based on the classification of each employer according to the Census and Statistics Department. This tabulation is referred to as the Private Sector Trend according to industry weightings.

The difference between the survey and industry weightings is shown in the following table which shows that the PTS over-represents Construction, Transport/Storage/Communication and Financial Services but under-represents Manufacturing and Wholesale/Retail Trade.

Comparison of Industry Weightings for PTS and
Census and Statistics Department (CSD)

Industrial Section	1.4.79		1.4.80		1.4.81	
	Industry Weightings		Industry Weightings		Industry Weightings	
	PTS	CSD	PTS	CSD	PTS	CSD
	%	%	%	%	%	%
1. Manufacturing	34.58	56.02	37.41	56.08	35.40	54.70
2. Construction	12.35	4.94	10.92	5.17	10.88	5.26
3. Wholesale, Retail, Import/Export, Restaurants/ Hotels	12.71	27.85	12.06	26.92	11.16	27.43
4. Transport, Storage and Communication (including public transport and public utilities)	23.54	4.27	21.97	4.47	23.28	4.66
5. Finance, Insurance, Real Estate and Business Services	16.82	6.92	17.64	7.36	19.28	7.95

The industries which were not represented (i.e. mining and quarrying, electricity and gas) were excluded from the re-weighting exercise since no data were available.

The percentages shown here for the survey group represent the total number of employees included in the survey. Although these proportions vary for each job category analysis, it was not possible to make any allowance for this.

SECTION 6

RESULTS AND CONCLUSIONS

6.1 Basic Pay Movement

The results of our investigation into the basic pay trend in the Private Sector and the Civil Service are shown in the following table.

Basic Pay Movements

Category of Staff	2 April 1979 to 1 April 1980				2 April 1980 to 1 April 1981			
	Private Sector According to PTS	Consultants' Results		Civil Service	Private Sector According to PTS	Consultants' Results		Civil Service
		Private Sector Survey Weighting	Industry Weighting			Private Sector Survey Weighting	Industry Weighting	
	%	%	%	%	%	%	%	%
MOD1	16.9	15.7	15.5	29.7	13.1	13.2	13.4	18.3
MPS - Lower	17.3	15.7	14.2	22.7	14.0	14.2	13.2	18.7
MPS - Middle	15.9	14.4	13.6	22.7	14.5	15.6	14.1	17.2
MPS - Higher (Local)	16.9	14.6	15.4	23.4	16.7	16.8	16.3	18.1
MPS - Higher (Expat.)	16.9	13.5	15.1	23.4	16.7	16.8	17.6	18.1

Note: The figures shown for the Civil Service represent the actual movement of Model and Master Pay Scales between 1.4.1979 and 1.4.1981 at the mid-point and include the structural adjustment in pay which occurred in October 1979. Certain other remuneration items were withdrawn at this stage.

6.2 Total Remuneration Movement

Total remuneration is the term used to describe the total of basic pay and the value of benefits. The results of our investigation are shown in the following table. There are no comparable figures for the PTS since this did not cover benefits.

Total Remuneration Movement

Category of Staff	2 April 1979 to 1 April 1980			2 April 1980 to 1 April 1981		
	Private Sector		Civil Service	Private Sector		Civil Service
	Survey Weighting	Industry Weighting		Survey Weighting	Industry Weighting	
	%	%	%	%	%	%
MOD1	17.7	18.8	29.5	13.5	13.9	18.3
MPS - Lower	16.9	15.1	22.6	16.2	14.1	18.6
MPS - Middle	16.6	15.3	22.6	16.4	14.3	17.1
MPS - Higher (Local)	17.8	18.1	23.5	19.4	19.4	17.4
MPS - Higher (Expat.)	40.8	40.6	39.4	9.3	9.8	10.5

6.3 Comparison of PTS with Consultants' Results

The table in 6.1 shows the pay trend produced by us for each category compared closely with that of the PTS. The differences are not substantial although in most instances our results are lower, which might be attributable to:

- Employers not being able to determine the "merit" component of their pay increases, although they confirmed that such a component was included. In these cases, the PIU reported the total increase, whereas we deducted the average "merit component" percentage derived from the Survey (see Section 5.4.3).
- The PIU carried over results to the following year for those employers who reported increases too late for inclusion in the PTS. These employers were assumed to have a "zero" rating in the first year and the increases were added on to the next year's results. Since our assignment was conducted after the closing period of the investigation (2 April 1982), we were able to record actual increases in all cases.

6.4 Value of Benefits

The following table shows the value of benefits as a percentage of basic pay (inclusive of bonuses where payable).

Value of Benefits
(Expressed as a percentage of basic pay and bonuses)

Category of Staff	1 April 1979		1 April 1980		1 April 1981	
	Private Sector	Civil Service	Private Sector	Civil Service	Private Sector	Civil Service
	%	%	%	%	%	%
MOD1	5.6	22.9	6.1	22.7	6.3	22.7
MPS - Lower	12.1	31.3	13.1	31.1	15.4	31.1
MPS - Middle	13.1	32.5	14.2	32.2	15.5	32.1
MPS - Higher (Local)	22.2	84.2	24.0	84.4	26.0	83.3
MPS - Higher (Expat.)	123.4	146.4	160.7	178.3	146.2	160.6

The table below shows in the case of the figures for 1 April 1981 the breakdown of the benefit values as between:

- Retirement
- Housing
- Other benefits.

A fuller breakdown is shown in Appendix 4.

Principal Benefit Values - 1 April 1981

(Expressed as a percentage of basic pay and bonuses)

Category of Staff	Retirement		Housing		Other Benefits		Total	
	Private Sector	Civil Service	Private Sector	Civil Service	Private Sector	Civil Service	Private Sector	Civil Service
	%	%	%	%	%	%	%	%
MOD1	4.0	18.2	0.8	-	1.5	4.5	6.3	22.7
MPS - Lower	8.3	25.5	4.6	-	2.5	5.6	15.4	31.1
MPS - Middle	8.8	25.2	4.0	-	2.7	6.9	15.5	32.1
MPS - Higher (Local)	12.6	37.8	9.3	39.6	4.1	5.9	26.0	83.3
MPS - Higher (Expat.)	15.9	37.8	99.1	85.4	31.2	37.4	146.2	160.6

6.5 Comments on the Results

6.5.1 The PTS was concerned only with basic pay and our independent assessment of this trend was very close to that of the PTS.

6.5.2 The table in Section 6.1 shows that the industry weightings would produce only minor differences from the survey weightings. Moreover, these minor differences do not follow a discernible pattern.

6.5.3 Benefits in the Civil Service in relation to basic pay are proportionately more valuable than corresponding benefits in the Private Sector for the equivalent level of pay and bonuses. This is principally due to the excellent retirement scheme in the Civil Service and to a more egalitarian policy on housing allowances as between local and expatriate employees than is generally found in the Private Sector. Also, leave entitlements are generally more favourable than in the Private Sector. It was not within our brief to determine whether total remuneration in the Civil Service was higher than in the Private Sector or

vice versa. This could only be determined by a comprehensive pay level survey.

6.5.4 Employers in the Private Sector tend to provide substantially more valuable benefits to expatriate employees than to local staff. There are historic reasons for this but there is now a tendency in the Private Sector to employ expatriates only if there is a lack of the relevant talent or experience locally. The Civil Service has, however, reduced although not entirely eliminated the distinction between local and expatriate employees.

6.5.5 The actual increases in pay in the Civil Service have been higher in the period under review than in the Private Sector as measured by both the PIU and ourselves. This is substantially due to "structural adjustment" to Civil Service pay which occurred in October 1979.

6.5.6 The difference in trend (i.e. percentage annual increase) as between basic pay and total remuneration is marginal. This indicates that the exclusion of benefits in the PTS has not, over the period under review, led to a distortion. This result may, however, be fortuitous since the improvement in benefits during that period was not substantial.

6.6 Factors influencing Pay in the Private Sector

In the course of interviewing the 47 employers, we obtained information on the principal factors which they took into account in making their pay reviews. The five factors which are likely to influence pay policy are:

- Movements in cost of living (i.e. inflation)
- Market rate comparisons
- Profitability
- Government pay awards
- Union negotiations.

The following table analyses our findings according to the employers' responses to our questionnaire.

Analysis of Factors Influencing
The Private Sector's Decisions on Salary Increases

Factor	Principal Factor	Important Factor	Some Account Taken	Little Account Taken	No Account Taken	Total
	%	%	%	%	%	%
Cost of Living	79	19	2	0	0	100
Market Rate	30	53	9	6	2	100
Company Profitability	5	19	34	21	21	100
Government Pay Award	2	15	45	15	23	100
Union Negotiation	5	6	9	2	78	100

From the above table it will be seen that 79% of employers regard the cost of living as being the factor of principal reference. Only 2% of employers regard the Government pay award as the principal factor. This no doubt is due in part to the deliberate exclusion of employers from the survey which, as a matter of policy, follow the Government (see Section 2.2). A number of employers interviewed did, however, make the point that the Civil Service, as a large employer of certain categories of staff, tends to exert an influence on the market rate for the job. Thus the 83% of employers who regarded the market rate for the job as either the principal or an important factor would be indirectly influenced to some extent by the Government pay award.