

SECTION 7

COMMENTS AND RECOMMENDATIONS

As a result of our investigation we believe that the PTS could be improved as the following paragraphs describe.

7.1 Validity

Awards based on pay trends as opposed to pay levels are valid only if at the starting point of the trend pay levels were comparable. As far as pay is concerned we have no evidence to support or to deny this premise. However, according to our assumptions, benefits in the Civil Service are generally more valuable as a proportion of basic pay than in the Private Sector, so that if there is a comparability of basic pay between the Civil Service and the Private Sector, the Civil Service would be ahead in terms of total remuneration (including benefits).

7.2 Reliability of Results

With pay trend surveys the results of one year are built on to the results of the previous year. This contrasts with pay level surveys where each investigation stands by itself. This means that pay level surveys are statistically more reliable than pay trend surveys because there is no possibility of compounding discrepancies.

7.3 Representation

The table in Section 5.5 shows that the surveyed employers over-represent certain sectors of Hong Kong industry and under-represent others. It would be possible to find a more representative group of employers for future surveys. Also the current sample of fifty employers reflects the pay practices of a smaller number owing to inter-connections between some of the employers involved in the survey. This may not, however, be too serious a drawback.

7.4 Breakdown of Pay Increases

The PIU excludes from the pay increases the component which each employer declares to be attributable to merit. Not all employers, however, are able to quantify the merit component, and because of this difficulty, there is doubt as to whether those employers who did declare a merit component were able to do so with sufficient accuracy.

We believe that a better method of dealing with the problem of merit increases would be for the PTS to be based on Private Sector pay increases inclusive of merit, but that in applying the PTS to revisions of Civil Service pay scales, a deduction should be made for the value of Civil Service increments. Civil Service increments are more easily measured than merit increases and, although increments and merit increases are not strictly comparable, both are elements in pay increases related to the individual, which are additional to the standard increases granted for cost of living, market rates, etc. The deduction should be equivalent to the average percentage effect of the increments of the Civil Service.

7.5 Effect of Benefits

There are dangers in ignoring benefits in either pay trend or pay level surveys. Our investigation shows that benefits are a very significant component of total remuneration and there appears to be a tendency for them to become more so.

7.6 Absence of Independent Monitoring Method

We believe that employers attempt to give the PIU accurate information on pay movements. However, for many employers this is not so easy as it might appear. Employers who do not have formal pay scales may be hard put to state a figure for their pay increase overall. This difficulty would be aggravated by the PTS system of trying to record the pay movement in separate bands. Although these pay bands correspond to ranges within the Civil Service they have no meaningful reference point for employers (see Section 7.7). An independent monitor could be based on the tax

returns made by the surveyed employers in respect of a random sample of their employees.

7.7 Analysis by Pay Bands

The current format of the PTS records pay movements separately for three pay bands, relating to the ranges within the MPS. A number of employers claimed that this leads them to make additional calculations since the pay bands do not line up with their own employment categories.

7.8 Late Adjustment

The PTS period extends from 2 April in one year to 1 April in the following year. A number of employers have not decided the pay increases which they will award at the time the data is collated. In the first year the late reporting employers are assumed to have given a "zero" increase which depresses the final results. In the second year, however, the increases are added into the calculations as an "understatement" factor.

We believe this is not the best way of coping with the problem. In our view it would be preferable to exclude altogether from the PTS any employer who was unable to provide data in time for the PIU to carry out the PTS. The effect of this would be for the PTS to be based on a somewhat smaller sample of employers but we believe this would be preferable to the current system which has the additional disadvantage of being misunderstood.

7.9 Timing of Civil Service Increases

Pay increases in the Civil Service take effect from 1 April each year. The PIU seeks to record salary movements up to the same date. There is a very considerable amount of work to be carried out between the receipt of the final item of data and the implementation of the pay award. The effect of this is that Civil Service pay increases are announced with retroactive effect at a time when employers are commencing their own studies for the following year's reviews. There is no reason in theory why this should cause problems. However, many employers expressed

the view that it created a psychological pressure from their own staff since there is a widespread tendency for a Civil Service pay increase announced in August to set a norm of expectations for the next pay review. This might be overcome if the Civil Service pay increase were announced before it came into force. In order to achieve this a cut-off date for acceptance of data for the PIU must be made and we suggest 31 January, i.e. two months before the increases are to go into effect, would be suitable.

7.10 Long Term Review

The improvements which we recommend in the PTS could be made relatively quickly. We believe that the PIU should, in the longer term, carry out more pay level surveys. Whilst these cannot apply to the large number of jobs within the Civil Service which have no analogues in the Private Sector, such surveys are, we believe, the only way of establishing comparability of employment terms. We further believe that the absence of Private Sector analogues for a large range of jobs may be overcome by the principle of internal equity.

If the use of pay level surveys is to become more widespread, the current classification by MPS pay bands should give way to one based on job functions.