

30 September 1982

His Excellency Sir Edward Youde, K.C.M.G., M.B.E.,
Governor of Hong Kong.

Your Excellency,

The Pay Investigation Unit

Our current review of civil service pay policy has included an examination of how the Pay Investigation Unit operates and the role it plays in the provision of information relevant to the determination of civil service pay. As a result of this examination we consider that it is desirable that the Pay Investigation Unit should be brought under the control of the Standing Commission, independent of the Civil Service Branch. Moreover we believe that this change can be considered separately from any further recommendations we may make on the subject of civil service pay policy, and our proposals are therefore set out in this letter.

Background

2. One of the major recommendations of the 1965 Salaries Commission was that the principle of fair comparison with remuneration in comparable employment in the private sector should be adhered to as closely as possible in setting civil service pay. In order to implement this policy, the 1965 Salaries Commission recommended that a small organisation, generally recognised as impartial, should be established to obtain information about the level of earnings in private sector employment. Following this recommendation, the Pay Investigation Unit was set up in 1968 to collect, analyse and present information on private sector pay and conditions of service, on the basis of which decisions could be taken on what adjustments to civil service pay were required.

3. The tasks of the Pay Investigation Unit are at present allocated by the Secretary for the Civil Service and, in the case of the annual pay trend surveys, by the Senior Civil Service Council through its Pay Investigation Unit Steering Committee. The Unit's terms of reference, which were last amended in 1972, are as follows :

- (a) to undertake any surveys and other activities as advised by the PIU Steering Committee of the Senior Civil Service Council or as directed by the Secretary for the Civil Service (for matters outside the responsibility of the Senior Civil Service Council - e.g. Model Scale 1 pay);
- (b) to establish, where possible, which jobs in private employment are comparable with jobs in Government service so that like can be compared with like;
- (c) to discover the pay and conditions of service which attach to outside jobs regarded as comparable;
- (d) to quantify the differing conditions of service which attach to outside jobs and to report pay and conditions of service information in a manner suitable to the purposes of the Official Side and Staff Side of the Senior Civil Service Council;
- (e) to assess pay trends having regard to the Consumer Price Index and other relevant sources;
- (f) to exchange relevant information on pay investigation matters with employers or groups of employers having due regard to the need to protect confidential sources of information.

In practice, since 1974 the work of the Unit has been mainly confined to the annual pay trend surveys, although other surveys have occasionally been conducted to meet the requirements of the Civil Service Branch or the Commission.

4. The Unit is headed by a Controller at the Chief Executive Officer level, who is supported by a small staff of civil servants. Although administratively it forms part of the Civil Service Branch, it operates independently in the conduct of its surveys, and it has always carefully safeguarded the confidentiality of the information it has collected.

The Review

5. In February 1981 we issued a Consultative Document on Civil Service Pay Policy which contained a section on the position of the Pay Investigation Unit. Specifically, we invited comments on the present relationship between the Pay Investigation Unit and the Civil Service Branch and whether changes in the status of the Unit would be appropriate. We sought views on these matters in the light of doubts about the independence of the Unit's operations because of its position within the Civil Service Branch, which had been expressed to us during our earlier study of principles and practices governing civil service pay.

6. In response to the Consultative Document views were put forward by the Administration, many staff associations and a number of interested bodies in the private sector. It was suggested to us in the great majority of these submissions that the Pay Investigation Unit should be separated from the Civil Service Branch and put under the administration of the Commission. We hasten to add that in none of these submissions was the view expressed that the Unit had not carried out its functions in an independent and impartial manner; there was however a general belief that the impartiality and credibility of the Unit would be enhanced if its independence was clearly demonstrated by a change in its status.

Status of the Pay Investigation Unit

7. We believe that it is of paramount importance that the Pay Investigation Unit should be fully accepted by all parties as being independent and impartial. We therefore see advantage in separating it from the Civil Service Branch and placing it under the administration of the Commission, and we so recommend.

8. If this recommendation is accepted, we consider that the main functions of the Commission in relation to the Pay Investigation Unit should be as follows :

- (a) to determine the Unit's programme of work and to allocate priorities where necessary;
- (b) to ensure the independence and impartiality of the Unit in the conduct of all its surveys;
- (c) to ensure that the Unit conducts such surveys and enquiries as are required of it in accordance with the principles and methodology agreed by the Government;
- (d) to ensure the confidentiality of information obtained from individual sources in the private sector.

9. The effect of this proposal would be to involve the Commission in the management of what is essentially a fact-finding and data-analysis organisation, in monitoring its activities to ensure that its independence and impartiality are maintained and in ensuring that it operates in accordance with agreed principles and methodology. This additional responsibility is not intended to affect the Commission's present role as an advisory body to the Government on pay policy matters, including pay research principles and methodology. Any proposed changes to the basic principles or material alterations in the methodology used in pay research which we considered necessary would therefore continue to be the subject of formal recommendations by the Commission to

the Governor as at present. It would then be for the Government, following consultation with staff where appropriate, to decide whether the changes recommended by the Commission should be introduced.

10. As mentioned in paragraph 3 of this letter, in addition to conducting the annual pay trend surveys the Unit has hitherto carried out surveys on behalf of both the Administration and the Commission. The transfer of responsibility for management of the Unit to the Commission should not affect these arrangements, subject to the Commission's overriding responsibility for determining priorities in the Unit's work.

11. We recognise that the Commission may on occasion need to have recourse to outside expertise and technical advice in the formulation of recommendations on pay research principles and methodology. We may well need to engage consultants, as we have done in the past, to assist us in these tasks, and we also propose to consider the appointment of an advisory committee to provide the Commission with expert advice on a continuing basis on technical matters concerned with the activities of the Pay Investigation Unit.

Pay Trend Survey Committee

12. In our review of the operation of the Pay Investigation Unit, we have taken note of the current participation of both the Administration and the staff in overseeing the annual pay trend surveys, through the Pay Investigation Unit Steering Committee of the Senior Civil Service Council. We are of the view that, under the proposed new arrangements, both the Staff Side and the Official Side of the Senior Civil Service Council should continue to be involved in this task, in order to satisfy themselves that the surveys have been conducted properly and that the information collected is analysed according to agreed principles and methodology.

13. In order to recognise the changed status of the Unit, we recommend that a new Pay Trend Survey Committee, chaired by a Member of the Commission, should be established to replace the present Pay Investigation Unit Steering Committee. As at present the Administration and the Staff Side of the Senior Civil Service Council should be represented on the Committee, and we suggest that the Secretary-General of the Standing Commission should also be a member. When the Junior Civil Service Consultative Council recommended in our Report No. 4 has been set up, it should also be represented, as should the Police Force, which is not represented in either the Senior or Junior Civil Service Councils. As at present the Controller of the Pay Investigation Unit would attend before the Committee to assist in its work, but would not be a member.

14. We recommend that the functions of the proposed committee should be broadly similar to those of the present Pay Investigation Unit Steering Committee, and should include the following main responsibilities :

- (a) to commission the annual pay trend survey;
- (b) to analyse the results of the survey and to ensure that the agreed criteria for the interpretation of the data collected have been properly applied; and
- (c) to agree the pay trend information resulting from the survey.

15. We would like to emphasize that in our view the role of the proposed Pay Trend Survey Committee should be restricted to monitoring the conduct of the pay trend surveys and validating their findings. Once the findings of a pay trend survey have been agreed, neither the Committee, nor for that matter the Commission as the body responsible for the administration of the Pay Investigation Unit, should be involved in any way in subsequent discussions between the Administration and the staff on any pay adjustment based on the survey results.

Administrative Arrangements

16. If these recommendations are accepted, it is clearly desirable that the Unit's new status should be recognised by its ceasing to be administratively part of the Civil Service Branch. We recommend therefore that the Pay Investigation Unit should in future form part of the Commission Secretariat for administrative purposes. The Controller would be responsible to the Secretary-General of the Commission for internal management matters, and the necessary staff and finance would be provided for under the Commission Secretariat's head of expenditure in the Estimates. We would like to stress that nothing in these proposals would alter the Controller's duty to protect the confidentiality of information supplied to the Pay Investigation Unit by individual private sector companies.

Change of Name

17. We consider that on the transfer of the Unit to the Commission, the name of the Unit should be changed to Pay Survey and Research Unit. This new title would more properly reflect the nature of the Unit's work.

Implementation

18. If the proposals contained in this letter are accepted, we recommend that they should be implemented as soon as practicable, and preferably before the commencement of the next pay trend survey.

We have the honour to be
Your Excellency's obedient servants,

(S.Y. Chung)
Chairman