

I. INTRODUCTION

In a letter to His Excellency the Governor dated 27 November 1981 (which was subsequently published in our Report No. 7 : Interim Report on Civil Service Pay Policy) we presented our preliminary views on the system for making overall adjustments to civil service pay. In the letter we made it clear that our proposals were of an interim nature and that we proposed to continue our study of civil service pay policy with the intention of submitting a further report in due course. This, our Second Report on Civil Service Pay Policy, is that further report.

2. Our previous recommendations were concerned only with the arrangements for the 1982 civil service pay adjustment. The scope of this report is also limited to the system for making general pay adjustments and, at this stage, certain of our recommendations are applicable only to the arrangements for 1983. Again therefore our report is to some extent of an interim nature. We make no apology for this. Civil service pay policy is a highly complex subject and is also too important, not only to civil servants but to the economic and social development of Hong Kong as a whole, to be the subject of final advice. In our opinion, it is essential that all aspects of civil service pay policy should be kept under continuing review in the light of changing circumstances.

II. HISTORICAL BACKGROUND

3. During the 1950s and 1960s it was the practice, every five or six years, to appoint a salaries commission which was given the task of reviewing both the general level of civil service pay and the salary and structure of individual grades. The 1965 Salaries Commission laid down the principle of fair comparison with the private sector as the basis of civil service pay policy, following the accepted policy at that time in the British Civil Service, which derived largely from the Priestley Royal Commission Report of 1955.

4. Following the acceptance of the recommendations of the 1965 Salaries Commission, the Hong Kong Government issued a "Statement of Principles and Aims of Civil Service Remuneration", which was accepted by the Staff Side of the Senior Civil Service Council. The basic principles of pay policy enshrined in this statement were as follows :

- (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 public 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.

In order to implement these principles the Pay Investigation Unit was set up in 1968, with the task of collecting and analysing information on private sector pay and conditions of service.

5. The 1971 Salaries Commission recommended the establishment of a new system of occupational classes (i.e. groups of grades with some degree of functional affinity), each of which would include a range of jobs which could be compared with similar jobs in the private sector. Between 1972 and 1974 the Pay Investigation Unit carried out a series of surveys intended to implement this system. In the course of these surveys a number of problems arose; first, for many jobs it was not possible to find a reasonable sample of comparable work in the private sector; secondly, long-standing relativities in the civil service often resulted in conflicts with levels of pay in comparable private sector jobs; and thirdly, the civil service had adopted a different policy on the remuneration of senior local and overseas employees from that which was prevalent in the private sector. As a result of these difficulties the attempt to implement the occupational class system was not pursued.

6. 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 had previously been the case. In 1972 and 1973 awards were made on the basis of cost of living data. It was however felt that in view of the principle referred to in paragraph 4(b) above it was not appropriate to continue to base overall civil service pay adjustments on movements in the cost of living alone. The Government therefore decided that the most effective means of ensuring that civil service pay moved broadly in line with that of the private sector was by means of a survey of pay trends. The results of this survey would be used as the basis for determining overall pay awards to the civil service. It was emphasised that it was implicit in this system that the civil service should follow rather than lead the private sector; an award implemented from 1 April in any year should therefore be based on trends in private sector pay during the previous year.