

III. THE PAY TREND SURVEY SYSTEM

7. The first pay trend survey was conducted in 1974, and since then surveys of this kind have been carried out each year, to provide a basis for service-wide adjustments to civil service pay. In the course of these surveys the Pay Investigation Unit collects information on movements in the pay of staff employed in about 50 selected private companies. After reference back to the companies for verification, this information is collated and analysed and a series of percentage increases, applicable to various pay ranges, is arrived at. These percentage figures, known as the pay trend indicators, form the basis for adjusting the pay of civil servants within corresponding pay ranges.

8. Translating the results of the pay trend survey into a civil service pay adjustment involves a number of procedures. The Pay Investigation Unit Steering Committee, a standing committee of the Senior Civil Service Council, first confirms the results of the survey. Following this there is consultation within the Senior Civil Service Council, and discussion in both the Executive Council and the Finance Committee of the Legislative Council before the pay award is decided and announced. The Commission has hitherto not been involved in this process in any way.

9. 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. In practice however civil service annual pay adjustments have closely followed the pay trend survey indicators in every year since the pay trend survey system was introduced, with the exception of 1975 and 1976. In 1975 the economic situation was such that no pay adjustment was made, but the pay trend indicators for that year were nevertheless taken into account, together with those for 1976, in determining the level of the 1976 award. It is therefore fair to say that the pay trend survey system has been the principal factor in determining the level of annual adjustments to civil service salaries since its inception in 1974.

10. In recent years the system has been the subject of considerable criticism by certain sectors of the public. In particular, concern was expressed about the level of pay awards in 1980, 1981 and 1982. In the course of our study of civil service pay policy we have therefore considered whether service-wide pay adjustments should continue to be based on a survey of pay trends in the private sector, or whether some alternative method of making general adjustments to civil service pay should be introduced.

11. One alternative which has been advocated is that civil service pay should be adjusted in relation to movements in the cost of living as measured by the consumer price indices. This method, which was employed in 1972 and 1973, has the merit of simplicity, since the consumer price indices are a matter of public knowledge and their use could be rationalised on the basis that pay increases based on them would maintain the real value of pay. However the index-linking of salaries is subject to serious objections. As the 1968 Statement of Principles and Aims of Civil Service Remuneration pointed out, there is no reason why civil servants should have an automatic right to the maintenance of the real value of their salaries at times when this is not the experience of employees in other sectors of the economy. Equally, in times of rapid economic growth when salaries in the private sector often rise faster than the cost of living, it would be unfair for civil servants not to receive a share of the economic prosperity that was being enjoyed by other sectors of the community. These arguments are still valid today.

12. Another suggestion which has been made is that adjustments to civil service pay should be linked to the growth in per capita Gross Domestic Product (GDP) which gives a general indication of the wealth of the community. However in our view the growth of the wealth of the community as a whole is not a reliable guide to the level of salaries and wages in either the public or the private sector. Moreover, this method would pose practical problems in that the final estimate of GDP for any one year is not available until the third year after the year to which it relates.

13. In the light of the shortcomings of possible alternative systems, we advised in our letter of 27 November 1981 that the pay trend survey system should continue to provide the basis for the general civil service pay adjustment in 1982. We were encouraged in this view by the fact that a study of the criticisms which had been levelled at the system showed that the great majority were only concerned with the methodology at present employed and the results produced by the application of that methodology. Rarely was there any criticism of the concept of fair comparison with the private sector as such. During the last few months we have given further consideration to various methods of adjusting civil service pay but have again concluded that the pay trend survey system, if properly designed, conducted and implemented, remains the most satisfactory system available in the present circumstances. Accordingly, we recommend that general civil service pay adjustments should continue to be based on the pay trend survey system.