

VII. APPLICATION OF THE TOTAL PACKAGE CONCEPT
TO THE ANNUAL PAY TREND AWARD

33. We wish to emphasise that in proposing that future arrangements for determining the general levels of civil service remuneration should take into account the total package of pay and other benefits in both the civil service and the private sector we are not introducing any radically new principle. The Government's 1968 Statement of Principles and Aims of Civil Service Remuneration, to which we have referred in paragraph 4(a) of this report, made it clear that in applying the principle of fair comparison, account should be taken of differences in conditions of service other than pay. Our concern is that this principle should in future be applied in a more direct way, by placing a fair value on such conditions of service.

34. In our view it is inevitable that the development of the total package concept by means of pay level surveys will take a considerable time. However, we continue to be of the opinion that the present arrangements under which general civil service pay adjustments are decided principally on the basis of the results of pay trend surveys in the private sector should continue subject to certain modifications.

35. One of our basic criticisms of the present pay trend survey arrangements is that whilst the private sector evidence relates only to movements of pay, the corresponding increases awarded to the civil service automatically affect the value of some significant fringe benefits such as pensions. Since there is evidence that fringe benefits are much better at given salary levels in the civil service than in the private sector, the effect of successive service-wide pay awards is to widen still further the gap between the total packages in the two sectors.

36. As a positive measure towards limiting the widening of this gap we recommend that two steps should be taken in 1983. The first of these is that there should be no further improvements in the real value of civil service fringe benefits. This would mean that no additional benefits would be introduced, and that improvements should be limited to those purely intended to cover increased costs due to inflation, such as, for example, higher passage allowances because of increases in air fares and increases in local education allowances to cover higher school fees.

37. This would have a restraining effect on the real value (but not the dollar value) of civil service benefits, but would not by itself achieve the object of freezing the gap between the value of the two total packages at the instant when a pay trend award is made. For this reason a second step is

necessary; this is to adjust the pay trend indicators so as to ensure that an award based on them would not widen this gap.

38. A further development of the method we suggested last year is described in Appendix 2. It first calculates the value of the total civil service and private sector packages before the pay award is made, and determines the size of the gap between them in dollar terms. When the private sector pay trend indicators are known, these indicators are adjusted before they are used as the basis for determining the civil service pay award. This is to ensure that the size of the gap between the two packages remains the same as it was before the award.

39. The effects of applying the method described in Appendix 2 on various hypothetical levels of private sector pay increases, assuming values of civil service and private sector benefits as at 31 January 1982, are as follows :

<u>Pay Band</u>	<u>Private Sector Pay Trend Indicator (i.e. average private sector pay increase)</u>	<u>Civil Service Pay Award Indicator, after adjustment to ensure that the gap between the two packages remains unchanged</u>
Lower band	15%	12.7%
Middle band	15%	12.6%
Upper (local) band	15%	12.0%
Upper (expatriate) band	15%	12.2%
Lower band	10%	8.5%
Middle band	10%	8.4%
Upper (local) band	10%	8.0%
Upper (expatriate) band	10%	8.2%
Lower band	5%	4.3%
Middle band	5%	4.2%
Upper (local) band	5%	4.0%
Upper (expatriate) band	5%	4.1%

Note: The pay bands refer to salary ranges. At the time of the 1982 pay trend survey the lower

band related to staff earning less than \$3,500 a month, the middle band to staff earning between \$3,500 and \$9,999 a month and the upper band to staff earning between \$10,000 and \$17,990 a month. Our consultants distinguished between local and expatriate staff in the upper band because of the considerable difference between the private sector and civil service approach to the provision of fringe benefits for local staff.

40. Two points should be made about this method :
- (a) Comparisons are made between the total packages for employees at the same salary levels in the civil service and the private sector. While it is not possible to establish conclusively at this stage whether salary levels in the two sectors are comparable for similar jobs, evidence obtained for the Commission by the Pay Investigation Unit indicates that civil service starting salaries compare favourably with, and in some cases are considerably higher than, those in the private sector for jobs requiring the same qualifications. It should also not be forgotten that comparison of pay in the private and public sectors has been the basis on which the pay trend survey has always operated hitherto.
 - (b) The benefits in both sectors have been valued in accordance with the methodology devised by our consultants and described in their report published as part of the Commission's Report No. 7. While we take the view that for the purposes of conducting full-scale pay level surveys the valuation system should as far as possible be agreed by all concerned, we feel that until this is done the consultants' methodology should be used for the limited purpose of providing a basis for adjustments to the pay trend indicators. We are satisfied after further examination that any change in the valuation system used for fringe benefits would not have a significant effect on the resulting pay award.
41. For the 1983 civil service pay adjustment therefore, we recommend that in addition to a freezing of the real value of civil service fringe benefits, an adjusted set of pay trend indicators should be produced, taking account of differences in the value of the total packages. For this purpose, we have already suggested to the Administration that the Pay Survey

and Research Unit should collect data on fringe benefits in the course of the 1983 pay trend survey so that calculations can be carried out on the lines we have proposed in paragraphs 38 and 39. The results of these calculations should be used by the Government as a guide to the extent to which the pay trend survey indicators should be adjusted to take into account differences in the value of fringe benefits between the civil service and the private sector. This method is proposed for 1983 only, and if it is necessary, we may recommend different arrangements for the general pay adjustment in future years.

VIII. CONCLUSION

42. In this report we have expressed the view that in the longer term the total package concept should be developed further by means of a comprehensive series of surveys of the levels of pay and benefits in comparable jobs in the civil service and the private sector. This work will clearly take years to complete. We remain of the view however and have so recommended that the present arrangements, under which general civil service pay adjustments are decided on the basis of the results of surveys of pay trends in the private sector, should continue, subject to certain modifications. We have also recommended, for 1983, a method of ensuring that the difference between the value of the total packages in the two sectors does not materially widen as a result of the pay trend award.

43. In the above regard, we would like to emphasise that the Commission's recommendations, as in the past, are confined to the system and methodology to be used to provide the basis for determining civil service pay awards; it does not fall to us to comment on the wider social, economic and budgetary considerations which the Government clearly takes into account in deciding on the actual level of such awards.

44. As we stated at the beginning of this report, the recommendations we have made can in no way be considered as the last word on the subject of the pay trend award system in relation to civil service pay policy. We propose to continue our study of this complex and difficult subject and to submit further reports and recommendations from time to time.