

APPENDIX VII

28 October 1987

His Excellency Sir David Wilson, K.C.M.G.,
Governor of Hong Kong.

Your Excellency,

1986 PAY LEVEL SURVEY

Improvement of the Value of the
Total Package for Model Scale 1 Staff

The Administration recently informed us that, having considered the results of the 1986 Pay Level Survey, the Executive Council advised and Your Excellency ordered, inter alia, that :

"In respect of Model Scale 1 staff the Standing Commission's advice should be sought on whether a reduction of the conditioned hours of work from the present 48 hours net per week to 45 hours net per week, with progressive reduction ultimately to 42 hours net per week, so that their salaries fall in line with the Master Pay Scale or an amalgamation of the Model Scale 1 with the Master Pay Scale should be pursued".

In pursuance of the Executive Council's decision, the Administration has invited us, under Item I(a) of our Terms of Reference, to offer advice on this issue.

2. In response to our query, the Administration has clarified that :

- (a) the Executive Council has broadly accepted that the salary level for the civil servants below D3 should be at about the upper quartile private sector practice; and
- (b) the decision at paragraph 1 above does not preclude consideration of other options intended to "reflect the general results of the Pay Level Survey in the total pay package of Model Scale 1 staff".

3. It was on the basis of the above guidelines provided by the Administration that we conducted our examination of the issue and our recommendations are given in the following paragraphs.

Background

4. The 1986 Pay Level Survey shows that the Model Scale 1 total package practice line, compared with that of their counterparts in the private sector, is below average throughout the entire range of job points. At the average job size it is approximately \$7,500 per annum or 12% below the upper quartile, and \$1,500 per annum or 2.5% below average, in terms of value of total packages; whereas in terms of base salary only, at the same job size, it is approximately \$5,700 per annum or 11% below the upper quartile and \$400 per annum or 1% below average.

Amalgamation of Model Scale 1 with the Master Pay Scale

5. We have considered the feasibility and practicability of amalgamating Model Scale 1 with the Master Pay Scale. Whilst such a move is considered technically feasible, the immense costs of such a proposal, estimated at well over \$400 million per annum, together with the fact that the proposal would enhance the total package for Model Scale 1 staff beyond the level of that of their counterparts in the private sector and, more importantly, depart from the practice in the private sector have led us to the conclusion that this option should not be pursued.

Reduction of Conditioned Hours of Work for Model Scale 1 Staff

6. On the basis of the valuation methodology adopted by Hay Management Consultants (Hong Kong) Ltd., reducing the conditioned hours of Model Scale 1 staff from 48 hours net per week to 45 hours net per week (both excluding lunch breaks) will have the effect of increasing the value of the total package by approximately 5-6%. We are informed that, according to information gathered from the two latest Fringe Benefits Surveys, the average conditioned hours of work per week for Model Scale 1-type employees in the private sector were 45.22 hours in 1985/86 and 45.18 hours in 1986/87, and that a reduction in conditioned hours to 45 hours net per week for Model Scale 1 staff would therefore be in line with private sector practice.

7. We are informed that this proposal, if implemented, could be effected for 60% of Model Scale 1 posts without additional cost and that for the remaining 40% of staff it would cost about \$100 million per annum for Overtime Allowance and for about 1,000 additional posts, together with further expenses in respect of working accommodation and other items.

8. We are also informed that there would also be financial implications for the 10,200 staff on the Master Pay Scale who are required, for operational reasons, to work conditioned hours of more than 45 hours net per week. To make a corresponding reduction to 45 hours net per week for this category of staff would cost about \$30 million per annum for Overtime Allowance and additional posts.

9. Having regard to the private sector practice and the financial implications, we consider that reducing the conditioned hours of work of Model Scale 1 staff to 45 hours net per week is both practicable and desirable and we so recommend. However, we feel that, after implementing the proposal, departments concerned should be directed to carry out value for money studies with a view to minimising the requirements for Overtime Allowance payment and additional posts.

10. We are aware that a further reduction in conditioned hours, to 42 hours net per week, would have resulted in a further 5-6% benefit for Model Scale 1 staff, thereby bringing their total package more in line with their private sector equivalents. However, to do so would result in the Model Scale 1 conditioned hours being less than the average conditioned hours of work per week for their counterparts in the private sector as noted in paragraph 6 above. We consider this undesirable, particularly in the present circumstances when there is an acute labour shortage in the private sector. Furthermore, we have been informed by the Administration that there is a strong feeling amongst Model Scale 1 staff that any proposal should produce some tangible monetary benefit to staff. Therefore, having regard to the practice in the private sector and in order to provide some cash benefit to staff, we have decided to consider other options which would help to bring the total package for Model Scale 1 staff in line with that in the private sector, rather than to recommend a further reduction in conditioned hours to 42 hours net per week.

Other Options

11. Having examined various options, we have come to the view that a combination of a 3% upward pay adjustment with an addition of one point to the Model Scale 1 Pay Scale would be the best solution. Since the results of the 1986 Pay Level Survey indicated that the value of the total package for Model Scale 1 staff was about 12% behind that of their private sector counterparts at the upper quartile, and taking into account the proposed reduction of conditioned hours of work and the enhanced value of the new pension scheme which would increase the Model Scale 1 total package by about 5-6% and 1% respectively, Model Scale 1 staff would still lag behind their private sector counterparts by approximately 5-6%. We have calculated that an additional point on the Model Scale 1 Pay Scale would be worth 2-3%. Therefore a pay adjustment of 3% together with an addition of one point to the Model Scale 1 Pay Scale and the reduction in the conditioned hours of work from 48 hours net per week to 45 hours net per week would bring the total package of Model Scale 1 staff more or less in line with the upper quartile of the private sector package.

12. If this combination package is accepted, we recommend that the Model Scale 1 Pay Scale be extended by the addition of a new Point 23. The salaries of all serving Model Scale 1 officers should then be converted to the next higher point on the revised scale. New employees should continue to be recruited at Point 1 of the revised scale. A table showing the effect of this proposal is attached at the Annex.

Recommendation

13. We therefore recommend that the conditioned hours of work for Model Scale 1 staff be reduced from 48 hours to 45 hours net per week (with corresponding reduction to 45 hours net per week for those grades on the Master Pay Scale whose present conditioned hours of work are more than 45 hours net per week), the Model Scale 1 Pay Scale be extended in the manner described in paragraph 12, and that in addition, all staff on the Model Scale 1 Pay Scale receive an increase in remuneration of 3%.

Date of Implementation

14. If our proposals are accepted, we recommend that they should be implemented as follows : -

(a) Pay Adjustment and Salary Conversion

In considering the effective date for the proposed pay adjustment and salary conversion, we have had regard to the following : -

- (i) In February 1986, Your Excellency in Council decided that an interim pay adjustment of 2.7% effective from 1 January 1986 should be made to Model Scale 1 staff (and all other non-directorate staff) pending the results of a Pay Level Survey to be conducted in 1986-87.
- (ii) The Pay Level Survey subsequently conducted by Hay Management Consultants (Hong Kong) Ltd. in the latter part of 1986 compares the total remuneration of civil servants with that of private sector employees doing comparable work as at 31 August 1986.

Given the above background, the proposed pay adjustment and salary conversion for Model Scale 1 staff should, strictly speaking, be backdated to 1 September 1986. This is because, according to the findings of the Pay Level Survey, the salaries of Model Scale 1 staff have lagged behind private sector practice since 1 September 1986. However, this would mean backdating payment beyond the 1987-88 financial year and the additional financial implications would be considerable. We recommend therefore that 1 April 1987 should be used as the effective date for the proposed adjustment of pay and the salary scale for Model Scale 1 staff.

(b) Reduction in Conditioned Hours of Work

As regards the proposed reduction in conditioned hours of work, implementation of this proposal will involve practical arrangements (including re-scheduling the actual hours of attendance of staff where this is operationally feasible) and it would not be appropriate to

backdate its implementation. This particular proposal should therefore be implemented from a current date.

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

(S.Y. Chung)
Chairman

Kim Y.S. Cham

Therese H.C. Chan

Stanley G. Elliott

Vincent H.C. Ko

Alice Lam

Gordon M. Macwhinnie

David A. Morris

Poon Chi-fai

Andrew K.W. So

F.L. Walker

Encl.

Annex

A 3% Pay Adjustment plus Extension of One Point of the Model Scale 1 Pay Scale

(A)	(B)	(C)	(D)	(E)	
MOD Point	Present Salary	Extending Each Segment Maximum by One Point#	3% Pay Adjustment	Immediate Conversion Benefit (D) over (B)	
	\$	\$	\$		
(23)*		4950	5100	5.59%	Senior Artisan
22	4830	4830	4975	5.63%	
21	4710	4710	4850	5.78%	
20	4585	4585	4725	5.70%	
19	4470	4470	4605	5.74%	
18	4355	4355	4485	5.78%	Artisan
17	4240	4240	4365	5.95%	
16	4120	4120	4245	6.26%	
15	3995	3995	4115	5.78%	
14	3890	3890	4005	5.81%	
13	3785	3785	3900	5.83%	Workman I
12	3685	3685	3795	5.42%	
11	3600	3600	3710	5.55%	
10	3515	3515	3620	5.39%	
9	3435	3435	3540	5.36%	
8	3360	3360	3460	4.85%	Workman II
7	3300	3300	3400	4.94%	
6	3240	3240	3335	4.71%	
5	3185	3185	3280	4.79%	
4	3130	3130	3225	5.22%	
3	3065	3065	3155	4.99%	
2	3005	3005	3095	4.56%	
1	2960	2960	3050	3.04%	

Note : * Proposed additional pay point.

All existing staff should convert to the next higher numbered point on the revised scale, with no change to their incremental dates, whereas new staff will enter at the bottom point. For example, new Workman II will start from \$3,050 (Point 1).