

APPENDIX VIII

6 December 1988

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

Your Excellency,

Committee of Inquiry on Civil Service Pay -  
Interim Report

We are charged, under our terms of reference I(c), to advise Your Excellency on whether overall reviews of the Master Pay Scale and other non-Directorate Pay Scales should continue to be based on surveys of pay trends in the private sector conducted by the Pay Survey and Research Unit. Indeed, we have in successive years in the past written to Your Excellency tendering advice on the subject as well as on the methodology for conducting such a pay trend survey.

2. Because of the dispute between the Administration and the Staff Side of the Senior Civil Service Council over the 1988 civil service pay adjustment, Your Excellency has appointed a Committee of Inquiry to look into the relevant matters, which include a review of the methodology for the 1987-88 pay trend survey. We note that this Committee has submitted to Your Excellency an interim report in which recommendations regarding the methodology for pay trend surveys in general and the 1988-89 survey in particular have been made. Having regard to the fact that these subjects fall under our purview, and that the Committee's recommendations may have implications on future pay trend surveys, we propose to make a number of observations on these recommendations.

3. In view of the difficulty in obtaining sufficiently accurate and detailed information from the surveyed companies for identifying and then excluding the merit element from pay increases, we agree with the Committee that the general approach for the methodology for future pay trend surveys should be to use gross pay trend indicators. Indeed, such an approach is broadly in line with our view on the subject conveyed to Your Excellency in our Report No. 9.

4. With regard to the inclusion of public utility companies for expanding the survey field, the established policy is that public utility companies which use the government pay adjustment as the main factor in determining their own pay adjustment should be excluded from the survey field. We consider this policy still valid. Re-inclusion of such public utility companies should be considered only if they have changed their pay adjustment policy. We agree that suitable multi-national companies and companies with jobs comparable to those in the civil service paid from the upper band could be included. They must of course meet the well-established criteria for inclusion of new companies in the survey field.

5. We support the Committee's view that the proposals to increase the number and to alter the span of salary bands should be considered by the Pay Trend Survey Committee with a view to improving the pay trend survey system. We consider it appropriate that any increase in the number of salary bands should be subject to the Staff Side's acceptance that the pay trend indicators may be rounded down as well as up.

6. We have considered whether in the absence of a defined methodology for the 1988-89 pay trend survey, the collection of data for the 1988-89 survey should nonetheless proceed. We understand that the Committee of Inquiry will not resume its study of the methodology for pay trend surveys until January 1989 and that its recommendations to Your Excellency may not be made until March 1989. In these circumstances, and bearing in mind that any annual civil service pay adjustment is effective from April, we can see the advantage of proceeding with data collection in order to minimize the delay in conducting the 1988-89 survey.

7. However, we are conscious of the need to ensure that such an arrangement should not erode the credibility of the survey. Two situations might lead to such erosion. First, the situation where the Government is perceived by the public as having manipulated the data gathered from the surveyed companies to suit its purpose since the methodology is still under deliberation when data are being collected. Second, the situation where the participating companies are asked to provide additional information after the methodology is finalized.

8. We have however been assured by the Controller, Pay Survey and Research Unit that he will not allow the disclosure in any form of the data collected from the companies for the 1988-89 survey before the methodology for analyzing them is finalized. In addition, we note from paragraph 4.33 of the interim report that the Committee does

not "consider that any of the paths along which (the Committee) may go should affect the collection of data for the 1988-89 survey". We take this to mean that the Committee considers there will be no need to revert subsequently to the companies participating in the survey for additional information after the methodology has been finalized. On the strict understanding that our interpretations are correct, we see no objection to proceeding with the collection of data for the 1988-89 survey prior to finalization of the survey methodology. Otherwise, data collection should be deferred.

9. We would like to point out that any re-definitions of the elements included in the pay trend survey, as recommended in the interim report, should be agreed upon by all relevant parties before data collection starts for the 1988-89 survey, and should not impose an unacceptable burden on the surveyed companies because of differences between private sector and civil service practices. We are also of the opinion that the exclusion of the data of any particular company from the calculation of the pay trend indicators should be effected only upon consensus being obtained from the members of the Pay Trend Survey Committee. This is to ensure that the survey is, and can be seen to be, fairly conducted.

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

(Sidney Gordon)  
Chairman

Kim Y.S. Cham

Therese H.C. Chan

Stanley G. Elliott

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Tang Kwai-nang