

CHAPTER 2

CIVIL SERVICE PAY POLICY

The 1988/89 Pay Trend Survey

2.1 In 1987 we reviewed, as in previous years, the methodology for the pay trend survey to be conducted the following year (i.e. 1987/88). Our recommendations, which had taken into full consideration the advice of the Pay Trend Survey Committee, were accepted by the Government, and the 1987/88 Pay Trend Survey was conducted accordingly.

2.2 In March 1988, the Pay Trend Survey Committee met to consider the findings of the 1987/88 Pay Trend Survey. Members of the Committee agreed that the survey had been conducted in accordance with the agreed methodology. However, a consensus could not be reached on the interpretation of the information provided by the surveyed companies in respect of merit payments and internal and external relativities. As a result, no figures for the pay trend indicators could be published by the Committee. The Government had however chosen to use the disputed net pay trend indicators as a basis for determining the 1988 civil service pay adjustment.

2.3 In May 1988, the Government announced that it had been unable to reach agreement with the Staff Sides of the three central consultative councils on the appropriate rates for the 1988 pay adjustment. At the request of the Staff Side of the Senior Civil Service Council, the Governor appointed a Committee of Inquiry under the terms of the 1968 Agreement made between the Government and the three constituent staff associations of the Council to resolve the dispute.

2.4 The Committee of Inquiry was set up on 3 October 1988. It was chaired by Mr. F.G. Burrett, C.B., with Mr. B.C. Barrett and the Honourable Peter Poon Wing-cheung, O.B.E., LL.D., J.P., as members. Apart from considering the appropriate amount of pay award for the civil service for 1988, the Committee of Inquiry was also asked to examine the methodology for the 1987/88 Pay Trend Survey as well as the Staff Side's grievances over the findings of the 1986 Pay Level Survey. In view of this development, the Pay

Trend Survey Committee did not tender any advice to this Commission on the methodology to be adopted for the 1988/89 Pay Trend Survey.

2.5 The Committee of Inquiry submitted an interim report to the Governor on 21 November 1988. Having regard to the fact that certain recommendations of the Committee concerned the methodology for pay trend surveys and the conduct of the 1988/89 Pay Trend Survey which came under our purview, we decided to convey our observations on them to the Governor in December 1988. However, we did not comment on the Committee's proposed modification of the 1987/88 pay trend indicators as a basis for revising the 1988 civil service pay awards as the size of annual civil service pay adjustment is not a subject within the purview of this Commission.

2.6 We supported in principle the Committee's preliminary recommendations regarding the methodology for pay trend surveys in general. We noted particularly that the general approach proposed for the methodology for future pay trend surveys was to use gross pay trend indicators, which was broadly in line with our view on the subject stated in our Report No. 9.

2.7 Referring to the 1988/89 Pay Trend Survey, the Committee of Inquiry recommended that the survey should follow existing methodology but more data should be sought on the range and breakdown of merit payments. It also indicated that any of the paths along which it might go in Phase II of its work regarding the pay trend survey methodology should not affect the collection of data for the 1988/89 Survey.

2.8 We were aware that the Committee would not resume its work until early January 1989 and that it would take time for the Committee to complete its deliberations and for the Government to take a decision on the methodology to be employed. In the circumstances, and bearing in mind that any annual civil service pay adjustment would be effective from April, we considered it desirable to minimize any delay by collecting data from the surveyed companies if possible before the methodology was finalized. This would enable the analysis phase to start immediately once the methodology was agreed.

2.9 We were, however, also conscious of the need to ensure that such an arrangement would not erode the credibility of the survey. We therefore recommended that collection of data for the 1988/89 Pay Trend Survey should proceed only on the strict understanding that the Controller, Pay Survey and Research Unit would not permit the data collected from the surveyed companies to be disclosed to any party in any form until the methodology for the 1988/89 Survey had been finalized, after which there would be no further need to revert to the surveyed companies for additional information.

2.10 We considered that any re-definitions of the elements to be included or excluded in the calculation of the pay trend indicators should be agreed to by all relevant parties before the commencement of data collection 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 also considered that the exclusion of the data for any particular company from the calculation of the pay trend indicators should not be effected without consensus being obtained from members of the Pay Trend Survey Committee. The purpose was to ensure that the survey was, and could be seen to be, conducted in a fair manner.

2.11 Our comments on the Committee of Inquiry's recommendations are given in full in our letter of 6 December 1988 to His Excellency the Governor reproduced at Appendix VIII.

2.12 In late December 1988, the Government announced that it had accepted the recommendations of the Committee of Inquiry to readjust the 1988 civil service pay award. The Government also decided that the Committee of Inquiry's preliminary conclusions and recommendations on the pay trend survey methodology should be referred to the Pay Trend Survey Committee and should be taken into account to the extent possible.

2.13 Owing to the foregoing development, we did not initiate in 1988 our review of the methodology for the pay trend survey as in previous years. We shall resume our regular review of the subject at an appropriate time in 1989.

Review of the Pay and Conditions of Service of the Disciplined Services

2.14 We were invited by the Government in early 1988 to advise on a proposal that a review of the pay and conditions of service for the disciplined services and the machinery for their determination should be conducted. The Government justified such a proposal on the grounds that the range and complexity of the duties of the disciplined services had increased since the last major review in 1979, and that in the 1986 Pay Level Survey, the special factors of disciplined services jobs such as stress, risk and constraints on personal freedom etc. had not been evaluated.

2.15 We had considered the disciplined services in detail as part of a major review of civil service pay in 1979. At that time we accepted that the disciplined services deserved special consideration and hence we recommended the establishment of separate pay scales for them. During the 1986 Pay Level Survey, we were particularly conscious of the fact that, with regard to the special factors in the disciplined services, such as restricted personal freedom, danger, stress, etc., there were no positions within the jobs surveyed in the private sector which embodied such corresponding special factors. We pointed out that the results of the survey were, in this respect, incomplete. Whilst we felt that this in no way invalidated the results of the 1986 Pay Level Survey, we accepted that there was a need to obtain further information on these particular aspects. We therefore agreed in principle that a review of the pay and conditions of service of the disciplined service should be carried out. Our views on the Government's proposal were conveyed in our letter to His Excellency the Governor on 22 January 1988, a copy of which is at Appendix V.

2.16 In March 1988, we were asked by the Government to commission an independent review of the pay and conditions of service of the disciplined services. The Review Committee on Disciplined Services Pay and Conditions of Service was duly commissioned by us in April. It was headed by Mr. A.L. Rennie, C.B., with Sir Roger Lobo, C.B.E., LL.D., J.P. and the Honourable Mrs. Rita Fan, O.B.E., J.P. as members. All three members of the Review Committee were chosen by the Government. The terms of reference of the Review Committee, which were also drawn up by the Government, are at Appendix IV.

2.17 The Review Committee produced a preliminary report in July 1988, which we forwarded to His Excellency the Governor on 7 July 1988. The report gave an account of the history and background of the disciplined services pay practice. It also examined the various allowances paid to the disciplined services, the factors such as stress, risk, hardship and personal restriction to be taken into account in setting pay, and the arguments for different types of pay determining machinery.

2.18 The preliminary report made no recommendations, but was used as a consultative document for soliciting further views. In order to maintain, and be seen to maintain the Review Committee's impartiality and independence, we decided not to comment on the work of the Review Committee until after it had submitted its final report to the Governor. However, we drew the attention of the Chairman of the Review Committee to a number of factual errors found in the preliminary report.

2.19 The Review Committee submitted its final report to the Governor through the Commission on 7 October 1988. We had a number of observations on the findings and recommendations made in this report.

2.20 We endorsed the Review Committee's approach in conducting the review. This approach, following that of the Edmund-Davies Committee that looked into Police pay in the U.K., was to depart from any precise formula for determining pay and instead to review all the relevant factors and to make the best judgement the Committee could. It was in fact the same approach as we had adopted in our 1979 overall review of the disciplined services. Whilst we considered that we set the appropriate pay for the disciplined services in 1979 review, we accepted that there might be a need to adjust the weights given to the various factors affecting pay determination in 1979 in the light of developments and changing circumstances. We were also pleased to note that the Review Committee had supported the establishment of a separate consultative body for the non-Police disciplined services, as we had recommended in our letter of 16 June 1988 to His Excellency the Governor (Appendix VI).

2.21 In the absence of information on how the various factors affecting pay determination were evaluated by the Review Committee, we did not comment on the appropriateness or otherwise of the proposed new pay scales of the disciplined service. However, we had some doubts on the

Review Committee's conclusion that these proposed pay scales were the appropriate levels of remuneration in relation to the rest of the civil service. We noted from the final report that cross-bearings had been made with respect to certain points on the Master Pay Scale, but the detailed method of comparison had not been revealed. We also found the meaning of the expression "cross-bearing" unclear. We considered that there would be a requirement for a similar review, preferably by the same body, of all the non-disciplined grades with which comparisons had been made before one could justifiably claim that the true internal relativity between the disciplined services and the rest of the civil service had been established.

2.22 We considered that the Review Committee had misunderstood the role of this Commission by suggesting that as a result of our wide remit which required us to take a broad view of the needs of the civil service as a whole, the increases in responsibilities and workload of the disciplined services since 1979 had not been adequately reflected in our recommendations. The normal procedure is for heads of department to put forward proposals to the Civil Service Branch for consideration in the first place, and then for the Administration to consider whether the particular proposals should be referred to this Commission for advice. Under this procedure therefore we can only offer advice on proposals which are referred to us by the Administration.

2.23 We were wary of the implications of the Review Committee's recommendations to establish separate machinery to review the pay and conditions of service of the disciplined services. We felt that the proliferation of separate bodies advising on the pay and conditions of service for various sections of the civil service could lead to material difficulties in ensuring continued consistency in the determination of pay and conditions of service for the civil service as a whole.

2.24 We had also expressed concern over a number of other recommendations made in the final report, such as the inclusion of quarters as a factor in salary determination, the re-introduction of incremental jumps and the proposed pay increase for senior officers in the disciplined services. These recommendations would involve abandoning well established principles in the pay policy of the civil service.

2.25 Our comments on the Review Committee's findings and recommendations are given in full in our letter of 28 October 1988 to His Excellency the Governor (Appendix VII).

2.26 On 20 December 1988, the Government announced its acceptance of the recommendations of the Review Committee's final report. A new Standing Committee on Disciplined Services Salaries and Conditions of Service would be established to study the implications for the implementation of the Review Committee's recommendations.