

## CHAPTER FOUR

### QUALIFICATION GROUP BENCHMARKS

(This Chapter gives an account of the Pay Comparison Surveys and reviews the benchmark for each qualification group)

#### Pay Comparison Surveys

4.1 We have affirmed that broad comparability with the private sector is an important factor in determining civil service pay. It is therefore necessary to make reference to private sector practice when we examine the salary structure of the civil service. For this purpose, we have launched a series of Pay Comparison Surveys to obtain the relevant information from the private sector.

4.2 At the outset, we have decided that for the purpose of this review, we should aim at obtaining broad indicators, rather than precise figures, of the private sector position as a reference point and applying them sensibly and flexibly. To obtain precise indicators as a basis for setting civil service pay would necessitate the development of a very detailed and exact methodology which might not necessarily be recognized and accepted as correct by all the parties concerned. It also follows that such an approach will require meticulous consultation with the staff throughout the survey exercise. Neither process was possible within the time scale of the present review.

4.3 In this connection, we have studied three different approaches for the pay comparison exercise :-

(a) Grade-by-grade factor analysis method

The external relativities of each civil service grade are reviewed individually. Private sector jobs, not necessarily analogues but having certain functional similarity with the particular civil service grade, are compared with the relevant civil service jobs by a method employing the factor-point approach.

(b) Core grade method

A number of civil service core grades which could be fully and fairly compared with jobs in the private sector are identified. All other civil service grades are then linked to them according to certain defined criteria. The pay for the core grades and all linked grades are set according to the pay for the corresponding private sector job analogues.

(c) Educational qualification method

The starting pay for entry ranks in each civil service qualification group is set by reference to the remuneration of private sector jobs having similar appointment qualifications and performing similar functions as the entry ranks in that qualification group.

4.4 The job-for-job evaluation method (approach (a)) should be able to cover most civil service grades. However, it is extremely time-consuming to implement and would produce precise indicators for individual grades. The core grade method (approach (b)) entails a smaller number of job-for-job comparisons. It also produces precise indicators, however, and thus involves lengthy consultation with staff to agree on which jobs should form the core grades and which other grades should be linked to them. In addition, depending on the linkage, internal relativities will be disturbed. The educational qualification method (approach (c)) is a broad-brush approach and produces broad rather than precise indicators. It enables account to be taken of historical internal relativities based on educational qualifications and is relatively straightforward and less controversial.

4.5 After careful deliberation, we have decided, on balance, to retain the educational qualification method which was used in the last overall review in 1979-80. As we have pointed out in paragraph 4.2, an approach involving job-for-job evaluation will take considerable time to develop and in the end probably might still not be regarded as correct by all the parties concerned. Given the time scale of the current review, a well-tried and less controversial method is obviously more preferable. Although under the educational qualification method, comparisons will be based on entry level jobs only, where possible we also attempt to obtain information on private sector remuneration for comparable civil service upper ranks.

4.6 We consider that fringe benefits are an important component of staff remuneration. Having regard to the controversies over the valuation of fringe benefits in the 1986 Pay Level Survey and to the gap which exists between the cost to the Government of some benefits and their value as perceived by staff, we have taken the view that in the pay comparison exercise, information regarding fringe benefits in the private sector should be gathered in parallel but presented separately from salaries. Moreover, no cash value should be assigned to benefits that are provided in kind. The broad picture in respect of the civil service and the private sector is then brought before us and suitable account taken in our recommendations of the differences between them.

4.7 Our detailed deliberation on the approach for the surveys can be found in Chapter 5 of the First Report. Following this basic approach, we have developed the detailed methodology for the Pay Comparison Surveys. In the process, we have sought the views of the Staff Side of the two central consultative councils. Many of their suggestions are very useful and have been incorporated into the survey methodology.

4.8 In July 1989, we commissioned the Pay Survey and Research Unit to carry out the Surveys. Altogether 92 private sector companies participated in the exercise. Field work began in August and was finished in November. Analysis of the data collected was completed in January 1990. The Pay Survey and Research Unit thereafter submitted to us a general report on the survey results and nine separate reports each covering an individual qualification group.

4.9 Having examined these reports, we are satisfied that the surveys have been carried out in accordance with the agreed methodology. The General Report on Survey Results is reproduced at Appendix H. We note that no conclusion can be drawn about the general pattern of remuneration for jobs other than their starting salaries, only limited information having been obtained on private sector remuneration of jobs beyond the entry level. The Controller, Pay Survey and Research Unit has explained in paragraphs 3.22 and 3.23 of the General Report that to make further analysis would require a process of job evaluation which is outside the scope of the exercise. We accept this explanation.

#### Qualification Group Benchmarks

4.10 We have mentioned in paragraph 2.7 that a benchmark salary point is set for each qualification

group. This benchmark is associated with the minimum level of qualification required for appointment to grades in the group and reflects the level of pay considered to be broadly appropriate at the entry level.

4.11 It should be noted that under the qualification benchmark system, the benchmark associated with a qualification should not be taken to reflect the qualification's value in isolation. In practice, whether holders of a particular qualification receive the benchmark pay associated with such a qualification on appointment depends on the qualification groups to which their grades belong. A benchmark is related specifically to a particular qualification group and represents the pay considered appropriate for entry level jobs in this group. For instance, a matriculant enters a grade in the Matriculation group at MPS 14 (the Matriculation benchmark) but a grade in the School Certificate group at MPS 5 (the School Certificate benchmark). Exceptionally, suitable matriculants may also be appointed to certain grades in the Degree group at MPS 18 (the 'sub-normal' entry point for matriculants vis-a-vis the Degree benchmark at MPS 20).

#### Considerations in Determining Benchmarks

4.12 We have taken account of the results of the Pay Comparison Surveys, where applicable, in setting the benchmark for each qualification group. Through the surveys, broad indicators for each group have been produced from the starting pay data of private sector jobs bearing similar functions and entry requirements as those of grades in the group concerned. These indicators provide a base on which the group benchmark is determined.

4.13 Besides comparability with the private sector, we have also given due weight to internal relativity considerations. These are particularly relevant for those qualification groups for which private sector comparisons cannot readily be made. Furthermore, we have taken account of the overall job weight and the characteristics of each group in formulating our recommendations for the appropriate salary level.

4.14 In applying the survey results, we have made reference to the data in column A of Charts 1 to 10 in pages 11-20 of the General Report on Survey Results (Appendix H). These data represent starting rates of pay for entry positions in the private sector for which the appointment qualification is in line with that for grades in the civil service qualification group concerned. The entry positions in column B require 'extra' qualifications for appointment, such as special skills or working

experience. In the civil service, these extra requirements will be reflected in the pay scale of the grade concerned by introducing extra points on top of the benchmark salary point. In addition, as pointed out in paragraph 5.6 of the General Report, the starting salary data in column B may also represent starting rates for jobs different in scope and carrying higher levels of responsibility than those in column A and so may be more relevant to civil service ranks above the entry level. The figures in column B do not have any direct relationship with those in column A and cannot be construed as pay rates which holders of jobs under column A will receive by salary progression on the job.

4.15 In arriving at our recommendations on benchmarks, we have also considered the factors set out in paragraphs 3.34 to 3.39 of the First Report. They are, first, the different objectives and requirements of the public and private sectors with regard to their different pace of salary progression. Second, the need to set civil service remuneration at sufficiently attractive levels vis-a-vis the private sector in order to retain those good, experienced and aspiring officers who do not have immediate prospects of promotion. Third, the observation that it is more appropriate to compare the civil service with the larger and more established companies in the private sector. In addition, suitable account has been taken of the differences between the public and private sectors in respect of job security, pressures of change and constraints on personal freedom. We reiterate, however, that it would be inappropriate to design rigid and precise formulae for pay determination. The approach taken therefore has been to review all the relevant factors and to make the best judgement.

4.16 Having due regard to all the relevant factors and to the stated objective of pay policy, we have come to the view that the third quartile of private sector practice should be taken as the reference point in the determination of benchmarks.

#### Recommendations

##### (a) Grades Not Requiring a Full School Certificate

4.17 At present, there are two qualification groups under the category of 'Grades Not Requiring a Full School Certificate' (see note). One group requires a minimum level of Form 3 for entry. The other stipulates a minimum educational qualification at Form 4 level.

Note : A full School Certificate means at least grade 'E' in five subjects in the Hong Kong Certificate of Education Examination or equivalent.

4.18 The Pay Comparison Surveys have revealed that in the private sector, the difference in the starting rates for entry positions requiring a minimum educational qualification at Form 3 and Form 4 levels is very small. These results reflect, in our view, developments in secondary education over the past decade, which have afforded a much better opportunity for an average Form 3 student to pursue further studies if he wishes. As a consequence, many Form 3 jobs in the market are now occupied by candidates with a higher educational level. Quite apart from this, we consider that the difference in value between a Form 3 and a Form 4 educational level has become so marginal that it is no longer meaningful to continue to classify jobs according to the minimum requirement of a Form 3 or a Form 4 level of education. We take the view that in terms of starting pay, no distinction should be made between a qualification of Form 3 or Form 4 (or even Form 5 with less than 5 passes in the Hong Kong Certificate of Education Examination or equivalent). We recommend therefore that one common benchmark should be set for the two groups and that it should be referred to as the benchmark for 'Grades Not Requiring a Full School Certificate'. The difference in the nature and content of work between grades in the two groups, however, should continue to be reflected in their salary range and grade structure.

4.19 There is clear private sector evidence that the starting pay for the two groups should be much higher than the value of their existing benchmarks (MPS 1 and MPS 2 respectively). We recommend that the common benchmark be set at MPS 5.

(b) School Certificate Grades

4.20 Currently, two qualification groups are placed under the category of 'School Certificate Grades'. Entry to Group I normally requires a full School Certificate. Taking into account the survey results and other relevant factors, we propose to revise the benchmark for this group from MPS 5 to MPS 7. We consider the increase of over 10% in the value of the benchmark appropriate.

4.21 For Group II, while the basic academic level required for appointment is a School Certificate, the pay scale of its grades has been based largely on each grade's additional appointment requirements such as experience, special skills or age as well as factors such as supervisory or managerial responsibilities. In view of this, we consider the existing practice of not setting a benchmark for this group appropriate. The starting pay for entry ranks of individual grades will be determined by reference to relevant job factors and to traditional relativities with relevant grades.

(c) Matriculation Grades

4.22 Confirming the findings of a previous review by us in 1982, the private sector appears to pay less than the civil service for matriculants. As we pointed out then, however, in many instances the starting pay for matriculants in the private sector is related to a job for which the basic appointment qualification is a School Certificate. In the civil service, Matriculation is still an essential requirement for appointment to a number of grades which perform important middle management roles. Bearing in mind also the need to maintain the quality of candidates coming forward for appointment to the grades in the Matriculation group, we propose to maintain the existing benchmark of MPS 14.

(d) Polytechnic Higher Diploma, Diploma and Related Grades

4.23 The three qualification groups under this category have benchmarks at MPS 17, MPS 14 and MPS 11. In the light of the information obtained, we consider these benchmarks appropriate and do not recommend any revision.

(e) Technical Inspectorate and Related Grades

4.24 Group I of the Technical Inspectorate and Related Grades has a benchmark of MPS 17, which is traditionally on a par with that for the Polytechnic Higher Diploma group. We propose that it should be unchanged.

4.25 Having regard to the entry requirements and nature of work of the grades in Group II of the Technical Inspectorate and Related Grades, we take the view that the benchmark for this group should continue to be related to that for the Artisan segment of Model Scale 1. Accordingly, the benchmark should be revised from MPS 9 to MPS 10 (see paragraph 4.30 below).

(f) Professional, Degree and Related Grades

4.26 Group I of this category normally requires the membership of a professional institution for appointment. As noted in paragraph 3.7 of the General Report on Survey Results, MPS 31 is the nominal benchmark for this group but the starting pay of entry ranks normally is set at MPS 34 or 35 to take account of the length of training or experience required to obtain the relevant professional qualification. The actual level of pay is more or less in line with the survey results. No change to the base-line benchmark is therefore recommended.

4.27 Group II has a salary structure which is related to that of Group I and they share the same benchmark. We consider the existing relativity between the two groups appropriate.

4.28 For Group III, the appointment qualification is normally a recognized degree. The existing benchmark of MPS 20 is roughly in line with the third quartile of private sector practice. We recommend no change.

(g) Model Scale 1 Grades

4.29 The survey for the Model Scale 1 group has been conducted on the basis of two broad categories of entry requirements : Crafts and Skills Group A and Crafts and Skills Group B. As explained in paragraphs 3.10 and 3.11 of the General Report, the survey results in respect of Groups A and B are relevant to grades remunerated on the Senior Artisan/Artisan and Workman I/Workman II segments of Model Scale 1 respectively. Because of overlapping entry requirements, the survey results cannot be broken down further for individual segments.

4.30 In Chapter 3, we have proposed that grades remunerated on the Senior Artisan and Artisan segments be transferred to the Master Pay Scale. Having regard to the survey findings and to internal relativities, we recommend that MPS 10 should be the new benchmark for Artisan grades. As regards the benchmark for Workman II grades, we have noted that traditionally, the starting pay for these grades has been on a par with the benchmark entry pay for School Certificate grades. This link was severed in 1987 as a result of the general pay increase for Model Scale 1 staff to reflect the findings of the 1986 Pay Level Survey. Having regard to the results of the Pay Comparison Surveys, we propose that the link should be restored. The benchmark should therefore be set at a new point on the scale with a value identical to the benchmark for School Certificate grades.

4.31 In the wake of the significant changes to Model Scale 1 arising from our recommendations on the amalgamation issue and the benchmark for Workman II, there is a need for revamping the scale completely. How this should be done will require careful study in the next phase when we review individual Model Scale 1 grades.

(h) Education Grades, Specialist Civilian Grades and Other Grades

4.32 Because of the disparate entry requirements within each of these three groups, no benchmarks can be established for them. The starting pay for their entry ranks will be set having regard to traditional relativities with relevant grades in other groups.



### Implementation

4.33 We have examined whether in the event that the benchmark for a qualification group is raised, the scale maximum of entry ranks in the group should be uplifted correspondingly so as to maintain the same number of steps to reach the maximum point. In our view, this should not be the general rule. Instead, each case should be examined in the light of its own circumstances. It follows that the pay scale and the conversion details for each grade can be finalized only after the grades in the group are reviewed individually. For this reason, we recommend that the benchmark revisions, if accepted, should be implemented after the qualification groups concerned are reviewed. In practice, this means that all the changes in benchmarks will be fully implemented only after the release of our final report at the end of 1990 (see paragraph 10.1).