

Appendix H

30 November 1992

The Right Honourable Christopher Patten
Governor of Hong Kong
Government House
Hong Kong

Dear Sir,

Methodology of Pay Trend Surveys

In our letter of 14 November 1991, we recommended that piece-rated employees should be excluded from the annual pay trend surveys with effect from 1991/92. Our recommendation was accepted by the Government and implemented in the 1991/92 survey.

2. In the same letter, we also gave our advice on a proposal to exclude hourly-rated employees from the survey. We saw no justification for the proposal as hourly-rated employees and civil servants were remunerated on a similar basis and their exclusion would considerably reduce the size of the survey population, particularly in the lower salary band. Our view was supported by the Administration.

3. In preparation for the 1992/93 Pay Trend Survey, the Pay Trend Survey Committee (PTSC) considered the survey methodology at a meeting on 14 October 1992. The PTSC agreed that the survey field should be expanded by including the 11 companies listed in the Annex to this letter in the survey, so that it would better represent the distribution of the working population in Hong Kong.

4. At the request of the Staff Side of the Model Scale 1 Staff Consultative Council, the PTSC also reconsidered the proposal to exclude hourly-rated staff from the pay trend surveys. The majority of the Members on the Committee supported the proposal on the grounds that there was no equivalent of hourly-rated employees in the civil service and, with the proposed expansion of the survey field, their exclusion would have minimal effect on survey results.

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5. We have carefully examined the two issues set out above, taking full account of the conclusions reached by the PTSC. Our views and recommendations are presented in the following paragraphs.

Expansion of survey field

6. There are at present 69 companies in the survey field. With the impending amalgamation of two of the companies, only 68 companies will remain. The PTSC's proposal to include the 11 companies listed at the Annex in the survey is in line with our objective of improving the representativeness of the survey. We therefore support the proposal and recommend that these companies be invited to take part in the survey with effect from 1992/93.

Exclusion of hourly-rated employees

7. The purpose of the annual pay trend survey is to obtain information on the pay movements of participating companies' full-time employees whose salary levels are comparable to those of non-directorate civil servants over a 12-month period. In considering whether hourly-rated employees should be excluded from the survey, we are aware that:

- (a) such employees are regular full-time staff remunerated on the same basis as daily-rated and monthly-rated employees in that they are paid for services rendered over a period of time rather than for the quantity of work produced. In this respect, the basis of their remuneration is similar to that of civil servants;
- (b) their salary is adjusted annually when general changes in market rates are taken into account. This arrangement is no different from the annual salary adjustment for civil servants;
- (c) according to data obtained in the 1991/92 Pay Trend Survey, hourly-rated employees are deployed in jobs comparable to those of Model Scale 1 staff in the civil service; and
- (d) the exclusion of hourly-rated staff would reduce the existing total survey population of 115,969 by 4.3% and the survey population in the Lower Salary Band by 6.6%. If the survey field were to be expanded as recommended in paragraph 6 above, these percentages would not change significantly.

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8. Having regard to the above factors, with the exception of the Member who serves as Chairman of the PTSC, we remain of the view that there is no justification for excluding hourly-rated employees from the pay trend survey. We wish to point out that it is obvious from the survey data collected annually that pay practices in the private sector differ from those in the civil service in many ways. Nonetheless, the survey of pay trends in the private sector still provides a useful basis for salary adjustments in the civil service. Every attempt should be made to maintain the breadth of the survey so that it is as representative as possible. The methodology must also be seen to be fair by all parties concerned, including the civil service and employers in the private sector. We should not exclude a particular category of employees simply for the reason that there is no civil service analogue.

9. In conclusion, we recommend that:

- (a) the 11 companies listed at the Annex be invited to take part in the annual pay trend survey with effect from 1992/93; and
- (b) full-time hourly-rated employees of participating companies should continue to be included in the survey.

Yours faithfully,

(Sidney Gordon)
Chairman
For and on behalf of
Members of the Standing Commission

Annex to Appendix H

Companies Recommended for Inclusion
in Pay Trend Survey Field

<u>Name</u>	<u>Activities</u>
1. Shangrila Hotel (Kowloon) Ltd.	Hotel management and operation
2. Sheraton HK Hotel & Towers	Hotel management and operation
3. Omni Hotels Asia Pacific	Hotel management and operation
4. NCR (HK) Ltd.	Computer marketing and servicing
5. Digital Equipment Hong Kong Ltd.	Computer sales and services
6. Schmidt & Co. Hong Kong Ltd.	Sale of hi-technological instruments and equipments
7. Universal Cars Ltd.	Sale of automobiles & automobile parts and car maintenance
8. S Megga Telecommunications Ltd.	Manufacturing of electronic products
9. Video Technology Electronics Ltd.	Manufacturing and export of electronic toys
10. Deacons	Legal services
11. Shui On (Contractors) Co. Ltd.	Construction and contracting