

CHAPTER 5

RECOMMENDATIONS ON THE FUTURE REVIEW MECHANISM

5.1 The last civil service Qualification Benchmark review was conducted by the Commission in 1989 in the context of the overall review of civil service grades. As a result, the Benchmark for Degree and Related Grades (QG 13), for example, was set at MPS 16 with a dollar value of \$9,100. While MPS 16 remains in use today as the Benchmark for QG 13, its current dollar value is \$21,010. The increase is due to changes brought about by the successive annual pay trend surveys since 1989. That the private sector pay for Degree recruits, as evidenced by the results of the pay comparison survey, is currently about 25% lower than the civil service pay is a reflection of the enlarging effect of the annual pay trend survey on the civil service starting pay. The feedback we have so far obtained from companies which took part in the survey is that most companies do not adjust the starting pay of new recruits according to the annual pay adjustment for their serving staff.

Remedy

5.2 To ensure that the new Benchmarks and starting salaries stay in line with private sector pay for similar qualifications in future, we recommend –

- (a) delinking the Benchmarks and starting salaries from the effect of the annual pay trend survey and from the MPS; and
- (b) establishing a new review mechanism to synchronize the movement of the Benchmarks and starting salaries with entry pay in the private sector for similar qualifications.

Delinking

5.3 Assuming the Government's acceptance of our recommended new Benchmarks and starting salaries as set out in Chapter 4, in the first year, the dollar value of all the pay points on the MPS can continue to change on the basis of the annual pay trend survey for the purpose of making the annual adjustment to pay for serving staff. However, the dollar value of the Benchmark points (i.e. MPS 0, MPS 2, MPS 3, MPS 4, MPS 5, MPS 6, MPS 11 and MPS 22) and the dollar value of the other pay points used as starting salaries for individual grades, derived by reference to the respective Benchmark points, should only change if there is clear survey evidence that pay in the private sector for new recruits possessing similar qualifications has changed. If not, the dollar value of the Benchmarks and the related starting salaries should remain static. For example, the dollar value of MPS 3, which is the Benchmark for QG 2 (School Certificate Grades) stands at \$9,785, and the dollar value of MPS 6, which is the starting salary for a particular grade in this QG, is \$11,820. However, MPS 3 is also an incremental point for serving staff in other QGs such as QG 1 (Grades not requiring a full School Certificate) and MPS 6 is an incremental point for both serving staff in QG 2 as well as other QGs. If the annual pay trend indicates an adjustment of 1%, the dollar value of MPS 3 and MPS 6 will become \$9,883 and \$11,938 respectively for serving staff. But if the starting pay of the private sector for School Certificate holders remains unchanged, the dollar value of MPS 3 and MPS 6 will remain at \$9,785 and \$11,820 respectively for recruitment purpose.

5.4 Under the above delinking proposal, the new Benchmarks and starting salaries recommended by us in this Review will be delinked from the effect of the annual pay trend survey and from the MPS after the first year and become, in effect, a separate scale.

More Frequent Reviews

5.5 Instead of a major review every 10 years as in the past, a full Benchmark and starting salaries review should be conducted, say, every three to four years, with annual updating carried out in the interim. To maintain consistency and to achieve the optimal effect, the annual updating could be done on the basis of the companies in the existing survey field (assuming their continued cooperation) and using the agreed survey methodology. A full review would require a new survey field. The updating or the full review should, preferably, be conducted in the latter half of the

year, say, between July to September, to avoid adding extra burden to companies which also take part in the annual pay trend survey in the first half of the year. Based on the findings of the full review or the annual updating exercise, the Benchmarks for various QGs can be adjusted whenever they deviate from the market rate by a certain level, upwards or downwards, which in the view of the Government justifies changes. Changes to the starting salaries of individual grades can likewise be made in line with the changes to the Benchmarks to which they relate.

New Administrative Arrangements

5.6 If the above proposals are accepted by the Government, there is a need to create a working group (similar to the current Civil Service Starting Salaries Review Steering Group under the Commission) to undertake the annual updating and the full review. There is also a need to strengthen the existing staff establishment in the Pay Survey and Research Unit to undertake the survey on behalf of this working group. The Government, on the advice of this working group, retains the right to trigger off any adjustment of the Benchmarks and starting salaries, having regard to the views of the major staff councils, internal relativities and other management considerations prevailing at the time. Further thought also needs to be given to arrangements relating to the pay progression for new recruits in the second and subsequent years and serving officers whose pay may be lower than new recruits of the same grade and rank.

5.7 We recommend that the Government should work out the details of these new administrative arrangements with a view to launching the first updating exercise in the latter half of 2000.