

CHAPTER 1

INTRODUCTION

1.1 Established in 1979, the main function of the Standing Commission on Civil Service Salaries and Conditions of Service is to advise and make recommendations to the Chief Executive on the principles and practices governing pay, conditions of service and salary structure of non-directorate civil servants, other than judicial officers and disciplined services staff.

1.2 The Commission provides independent advice to the Chief Executive, after taking into full account relevant factors and views expressed by the parties concerned. The decision as to whether the Commission's advice should be accepted rests with Government. The Commission's terms of reference and the membership list of the Commission and Steering Groups formed under the Commission are at Appendices A and B respectively.

1.3 This is our nineteenth progress report and it gives an account of our work in 1999. Chapter 2 provides a brief account of the Civil Service Starting Salaries Review and the Job-Related Allowances Review undertaken by the Commission during 1999. Chapter 3 contains our views and recommendations on proposals submitted by the Administration during the year. These include (a) cessation of minor housing related benefits for new recruits; and (b) introduction of a Supplementary Travel Allowance to replace the existing provision of Home-Office Travelling Expenses and Home-Office Mileage Allowance. It also provides a brief account of the Civil Service Reform and the Commission's informal meetings with the seven major civil service staff associations. Chapter 4 covers the work of the Pay Trend Survey Committee. Chapter 5 sets out our forecast of major activities for 2000. In all, we held a total of eight Commission meetings, eight Steering Group meetings as well as seven informal meetings with staff councils/associations during the year.

1.4 We wish to thank the Secretary for the Civil Service and his staff for their assistance and co-operation. Our appreciation also goes to **Mr Paul Tang**, Secretary General until his transfer on 2 December 1999. To **Mr Angus Miu**, acting Secretary General (from 3 December 1999) and the staff of the Commission Secretariat (list at Appendix C), we would like to thank them for their efficient and unfailing support.

CHAPTER 2

CIVIL SERVICE STARTING SALARIES REVIEW AND REVIEW OF JOB-RELATED ALLOWANCES

2.1 The Commission was pre-occupied with two major reviews during 1999 : that of civil service starting salaries in the first half and job-related allowances in the latter. A brief account of these two reviews is set out in this Chapter.

Civil Service Starting Salaries Review

2.2 On 23 October 1998, the Commission was invited by the Secretary for the Civil Service to undertake a review of civil service starting salaries to determine whether or not civil service salaries at entry point remain in step with those offered by the private sector.

2.3 The Commission accepted the invitation on 5 November 1998 and conducted a pay comparison survey from late December 1998 to 6 May 1999 to collect data on the entry pay level of jobs in the private sector which were comparable to those in the civil service for similar qualifications. A total of 133 private companies took part in the survey covering 4,945 valid job samples. Based on the survey results, the benchmark salary for 10 civil service Qualification Groups (QGs) at the first quartile, the median and the third quartile levels were compiled. For the remaining 6 QGs which either did not have direct comparisons with private sector jobs or for which sufficient valid job samples could not be obtained, their respective benchmark salary were determined having regard to their established relativities with these 10 QGs.

2.4 The survey findings indicated an overall decrease in pay for new recruits in the private sector. This resulted in our recommending a corresponding lowering of the pay for civil service recruits. The reduction of the benchmark salary by 5 and 6 MPS points respectively in two civil service QGs viz., QG13 (Degree and Related Grades) and QG10

(Matriculation Grades) was by far the most drastic. Reduction in the other QGs generally ranged from 1 to 4 MPS points. The only exception being QG8 (Technician, Supervisory and Related Grades Group I) where no reduction was necessary because the survey findings indicated a new benchmark salary which was close to the dollar value of the existing benchmark.

2.5 The starting salaries review was a significant undertaking because of its potential impact on pay for new recruits in the civil service. It should not be an end in itself but a continuing process to ensure that the pay of the civil service remains comparable with that in the private sector. For this reason, we have recommended that a review on such a large scale should be conducted more frequently in future, say, every three to four years, with annual updating in the interim to keep track of developments in the private sector. To ensure that the dollar value of the new benchmarks and starting salaries will not be subjected to the enlarging effect of the annual pay trend survey, we also recommended that they be delinked from the effect of the annual pay trend adjustment.

2.6 The details of our recommendations on the benchmarks and the starting salaries of each and every grade within the 16 QGs and on the future review and delinking mechanism are set out in the Commission's Report No. 36 on "Civil Service Starting Salaries Review 1999" which we submitted to the Chief Executive on 1 June 1999. The report is now available at the Government Publications Centre. It can also be accessed via the internet at <http://www.hku.hk/hkgcsb/sc.htm>.

2.7 The 1999 Review is different from the overall reviews conducted by the Commission in 1979 and 1989. On those two occasions, a wide range of other issues such as civil service pay policy, the detailed arrangements of the salary and ranking structure of each and every grade and the special job factors justifying additional pay for individual grades were covered besides benchmarks and starting salaries.

2.8 The 1999 Review, however, was confined to the benchmarks and the starting salaries for individual grades within the various QGs.

Accordingly, the Commission did not pursue any review of the job factors of the individual grades nor the removal of such factors as recruitment and retention difficulties which have become untenable in the present economic environment. We have, however, recommended that the Administration should consider undertaking a separate review of the job factors for all the civil service grades after the completion of the 1999 Review.

2.9 Given the emphasis on direct comparison with the market rate and the Commission's constraints in fine-tuning the pay scales for individual grades in the absence of a thorough review of their respective job factors, it is to be expected that our recommendations on the new benchmarks and starting salaries might result in reversed relativities in the sense that the starting salary for a subordinate rank might become on par with or higher than that for a supervisory rank. In the event, this happened in four pairs of related grades which have a supervisory relationship between them.

2.10 We did not think that this should pose any real administrative problems since, to a certain extent, reversed relativity of pay between some supervisory and subordinate ranks already existed in the civil service. We did, however, highlight the situation of the Graduate Master and Certificated Master in our Report. While these two grades do not necessarily have any supervisory relationship between them, the starting salaries recommended for the two grades, under the new arrangement, would be the same at MPS 12 thereby removing the previous pay gap between the Graduate Master at MPS 17 and the Certificated Master at MPS 14.

2.11 Our concern was that the new arrangement might upset the internal relativity between the graduate and non-graduate teaching grades within the Education Grades Group (i.e. QG15). We had given careful consideration as to whether their previous relativity should be restored but decided, on account of the much wider implications for the civil service as a whole, that it would not be advisable to do so in the context of the 1999 Review. We felt that if there is any management problem, it should be addressed by the Administration, after the completion of our review.

2.12 For the past two decades, the civil service has been built on the basis of the Educational Qualification Grouping system with established internal relativities between and within the QGs. This system has served to minimise invidious comparisons amongst civil service grades and contributed to maintaining the harmony and stability of the civil service as a whole. To ensure the continued stability of the civil service, the Commission recommended that there is a need to review the present number of QGs with a view to simplifying the groupings by doing away with those that consistently had no comparisons with the private sector in both the 1989 and the 1999 Reviews [e.g. QG4 (Group I of Higher Diploma, Diploma and Related Grades); QG6 (Group III of Higher Diploma, Diploma and Related Grades) and QG12 (Group II of Professional and Related Grades)]. This is important given the objective is to ensure continuing broad comparability in starting salaries between the civil service and the private sector.

2.13 The Commission was not asked to look at civil service salary beyond the basic entry level for new recruits. However, given that there may continue to be concern in this matter, we recommended in our Report that the Administration should, in the long term, consider whether and how the question of comparability between salaries for the civil service and the private sector above the entry level may be addressed. This is by no means easy, given the complexities and controversies involved in past attempts to do so.

Implementation

2.14 On 20 July 1999, the Chief Executive in Council accepted in principle the Commission's recommendations on the new civil service benchmarks and starting salaries and the future review mechanism as set out in our Report No. 36. The Administration then issued a consultation paper setting out its views on the recommendations and initiated a series of discussions to obtain the responses of the staff sides and department/grade management. Consultation ended on 31 October 1999. The Administration reverted to the Commission in November 1999 to seek our advice on the implementation of the Review proposals.

2.15 At the Commission's meeting on 18 November 1999, we discussed and endorsed the Administration's proposals on the Civil Service Starting Salaries Review 1999 and new pay model for recruits. We noted that despite some staff misgivings, the Administration had accepted the new benchmarks and starting salaries for civilian grades recommended by the Commission. It also accepted our recommendation to delink the benchmarks from the annual pay trend adjustment and to undertake benchmark review every three to four years with annual updating in the interim. The Administration proposed that these new arrangements be implemented when the current freeze on civil service recruitment is lifted.

2.16 On the question of reversed pay relativity, we noted the Administration's view that the relativity between supervisors and subordinates lies not in the minimum salary point of the grade/rank but that the salary scale as a whole should be taken as the pay for a rank. Also the Administration did not foresee any insurmountable problem for the graduate and non-graduate teaching grades to have the same starting salary point, in accordance with the survey results. On whether there should be review of civil service salary beyond the entry level, we noted the Administration's decision not to proceed with such a review, given the present economic situation and strong objection from the staff sides. The Administration, however, agreed to consider the need for a review of the special job factors on recruitment and retention difficulties of particular grades after the lifting of the recruitment freeze.

2.17 The details of the Administration's proposals and our views and recommendations on them were conveyed to the Secretary for the Civil Service in a letter dated 25 November 1999 (Appendix D). We understand that the new civil service benchmarks and starting salaries and new pay model for recruits were approved by the Executive Council on 14 December 1999 for implementation after the current freeze on civil service recruitment has been lifted.

2.18 As a sequel to the starting salaries review, the Commission has been invited by the Administration to advise on how the current system of Qualification Groups could be simplified in preparation for the next annual

updating of the benchmark and starting salaries in the latter half of 2000. We are currently looking into the matter with a view to formulating our advice to the Secretary for the Civil Service in April 2000.

Review of Job-Related Allowances

2.19 On 26 May 1999, the Commission was invited by the Government to undertake a review of job-related allowances (JRAs) in the civil service. The letter of invitation from the Secretary for the Civil Service is at Appendix E.

2.20 The Commission was mandated to revisit the principles, eligibility criteria and rates governing the dispensation of JRAs promulgated by the Commission in 1986 (published in the Commission's Report No. 15). It was also tasked to advise on how the review and monitoring mechanism should be improved.

2.21 The Commission accepted the invitation on 10 June 1999 and set up a Steering Group to oversee the review. Since commencement of work in July and up to the end of the year, the Steering Group had held three meetings to consider the various issues involved in undertaking this complex exercise and the best way to take it forward.

2.22 As an initial step, the Steering Group embarked on a fact finding exercise to obtain information on the payment of JRAs in the civil service and the practices in the private sector. A brief on how JRAs are currently dispensed in the civil service, compiled by the Civil Service Bureau, was noted by the Steering Group at its meeting in November. A survey on private sector practices on the payment of JRAs was completed in October. The broad picture of the situation in the private sector obtained from the survey was noted for general reference by the Steering Group at its meeting in November.

2.23 The question of staff briefing was considered by the Steering Group at its meeting in November. The Steering Group felt that notwithstanding the tight timeframe of the review and the Administration's

stated intention to undertake staff consultation after the Commission had completed the review, it would still be useful to meet with the staff side representatives of the two major civil service councils (viz. the Senior Civil Service Council and the Model Scale 1 Staff Consultative Council) and representatives of three major civil service staff associations (viz. the Hong Kong Civil Servants General Union, the Federation of Civil Service Unions and the Government Employees Association) to hear from them direct their views on the review.

2.24 To this effect, two informal discussion sessions were held on 28 December 1999. With the exception of the staff side of the Senior Civil Service Council (SCSC), the other four councils/associations all attended. The discussion sessions proved to be very useful. Views expressed by the staff representatives covered a wide spectrum of issues such as the role of JRAs in the civil service; the principles of JRAs promulgated in 1986 and their continued relevance in the present day circumstances; the eligibility cut-off point at MPS 33 and whether it should be lowered; the need to simplify the various categories of JRAs and the future review and monitoring mechanism. The Steering Group made it very clear that it had no pre-conceived views on the outcome of the review and expressed gratitude to the staff representatives for the frank exchange of views.

2.25 The staff side of the SCSC declined attendance on grounds that the Steering Group had refused to divulge data of the private sector survey to them for information. The Steering Group explained its position to the staff side of the SCSC that since the survey data had been obtained from companies on the clear pledge that they would be kept confidential at all times, the findings of the survey could not be released to them as requested. The staff side of the SCSC was assured, however, that the survey data would only be used as a general reference for the Steering Group rather than for direct application in the JRA review. The Steering Group was also prepared to arrange a separate session with them alone in January 2000.

2.26 On present schedule, the deliberations of the Steering Group will be completed in March 2000 and the Commission's report on the JRA review ready for submission to the Chief Executive in April 2000.

CHAPTER 3

ADVICE ON FRINGE BENEFITS, CIVIL SERVICE REFORM AND LIAISON WITH MAJOR CIVIL SERVICE STAFF ASSOCIATIONS

3.1 During the year, the Commission tendered advice to the Chief Executive on changes to two civil service fringe benefit items proposed by the Administration. The Commission also maintained a watching brief on the development of the civil service reform and met with representatives of major civil service staff associations to keep abreast of issues of topical concern to staff. A brief account of these activities is set out in this Chapter.

Advice on Fringe Benefit Items

(a) Cessation of Minor Housing Related Benefits for New Recruits

3.2 In April, the Commission was invited by the Administration to advise on its proposal that new recruits appointed under the Common Terms of Appointment and Conditions of Service (Common Terms) should cease to be eligible for the following minor housing related benefits –

- (a) Furniture and Domestic Appliances (F&DA) supplied to non-post-tied quarters and the Furniture and Domestic Appliances Allowance (F&DAA) payable in lieu; and
- (b) Hotel Subsistence Allowance.

3.3 The provision of F&DA/F&DAA dates back many decades when eligibility for non-departmental quarters (NDQ) was limited to expatriate staff. The provision of furniture and domestic appliances to make quarters habitable was reasonable then, given that expatriate staff employed from overseas would not be expected to bring bulky household items with them. Many of them were also employed on contract terms and were not expected to establish a permanent home in Hong Kong. Such considerations, however,

have become less tenable with the expansion of NDQ and departmental quarters over the years.

3.4 In the case of the Hotel Subsistence Allowance, which was approved in 1972, the rationale was that overseas officers who had to stay in hotels before they were allocated quarters would incur extra expenditure in meeting the additional cost of living in a hotel. Nowadays, however, there is a far wider range of restaurants and officers and their families do not necessarily have to have their meals in their hotels. The Administration does not think that there is any real reason why Government should continue to subsidize officers' daily expenses whilst being accommodated in hotels.

3.5 The Administration proposed that the provision of F&DA/F&DAA to non-post-tied quarters and the Hotel Subsistence Allowance to recruits appointed under the Common Terms should cease with immediate effect from a current date. F&DA, however, would continue to be provided to all post-tied quarters.

3.6 At the Commission's meeting on 1 April 1999, we considered and supported the Administration's decision to cease the payment of these two benefit items to new recruits appointed under the Common Terms. We noted the Administration's proposal to take steps to limit or phase out the provision of similar benefits to eligible serving officers and urged that this be done as expeditiously as possible.

3.7 Our views and recommendations were conveyed to the Chief Executive in a letter dated 19 April 1999 (Appendix F). We understand that with effect from 1 May 1999, new recruits are no longer eligible for these minor housing related benefits.

(b) *Review of Home-Office Travelling Expenses*

3.8 Home-Office Travelling Expenses (HOTE) and Home-Office Mileage Allowance (HOMA) were introduced in the 1950's to compensate staff posted to offices in the New Territories (NT) for the higher travelling

expenses incurred. The amount of HOTE claimed is based on the “cheapest route” minus a “no-claim” limit (currently at \$11.40 per return journey). Officers authorised to drive their private vehicle for duty purposes may claim HOMA instead.

3.9 With the overall urbanisation of Hong Kong and improvement in transportation network in the past 30 years, the Administration considered that the payment of HOTE/HOMA based simply on the NT criterion was outdated. To facilitate postings, however, the Administration considered that there was a need to continue to provide some form of a reasonable subsidy to staff working in offices in relatively inaccessible locations or in locations to which the cost of travel was high.

3.10 Following a review of home-office journeys of civil servants in 1998/1999, the Administration proposed that a new Supplementary Travel Allowance (STA) be introduced to replace HOTE and HOMA. Under the new arrangement, only staff posted to work in “designated offices” (but who do not reside in the same region as the “designated offices”) would be eligible for the STA. A list of “designated offices” located in outlying islands (including Lantau Island), border areas and in less accessible areas was drawn up by the Administration in consultation with departmental management.

3.11 Under the new proposal, STA would be payable on a non-accountable basis but it would be fully taxable. To reflect the costs of journeys to different locations, there would be two levels of payment, the initial rates of which would be –

- (i) \$29.0 - for staff working at the airport/outlying islands; and
- (ii) \$9.2 - for staff working at other “designated offices”.

3.12 Where officers (including those not working in “designated offices”) had a need to claim reimbursement of actual travelling expenses (e.g. for use of taxis when no other suitable means of public transport are available), they would be required to bear a “no-claim” limit. The initial rate of this limit is set at \$22.4 which was arrived at through the 1998 survey.

3.13 At the Commission's meeting on 2 December 1999, we considered the Administration's proposal and agreed that a review of HOTE/HOMA was overdue. By clearly designating the offices for which STA would be payable to staff working there, the new arrangement is better than the existing system based simply on the NT criterion. The proposed reimbursement rates also appeared to be reasonable. We, therefore, supported the Administration's proposal but urged that it should keep the list of "designated offices" and the reimbursement rates under close scrutiny to ensure that the new system would be realistic.

3.14 Our views and recommendations were conveyed to the Chief Executive in a letter dated 9 December 1999 (Appendix G). We understand that the Administration will seek approval from the Finance Committee of the Legislative Council to introduce the STA early next year.

Civil Service Reform

3.15 The Chief Executive announced in the Legislative Council on 14 January 1999 that the Government would conduct a review and reform of the civil service management system in the following policy areas : (a) entry and exit mechanism; (b) pay and fringe benefits; (c) disciplinary procedures; and (d) performance management, professional training and personal development. On 8 March 1999, the Administration issued a consultation document on Civil Service Reform and initiated wide ranging discussions and debates amongst civil service unions and the community at large. Consultation ended on 8 June 1999. The Administration received more than 600 submissions, over 90 of which were from civil service unions. From August to December 1999, the Administration entered into the second stage of consultation. Four working groups with staff side representatives were set up by the Administration to work out detailed arrangements on how reforms in the four policy areas outlined by the Chief Executive could be taken forward.

3.16 The Commission maintained a watching brief on the development of the civil service reform. At our regular meetings, we were kept apprised of the latest position by the Administration's Representative. On "entry and exit mechanism", the Administration issued two consultation papers on 17 September 1999 and on 30 November 1999 respectively. There has been considerable discussion on how far new recruits should be employed on agreement terms instead of permanent terms as at present. The Administration's latest thinking is that all new recruits after probation would be appointed on agreement terms for normally three years. Consideration for their appointment on permanent terms would only be made at the end of the first agreement. A consultancy study would be commissioned on the feasibility, design and implementation of a civil service provident fund scheme in place of the existing pension scheme for new recruits. A working group meeting would be held in late December 1999 to consider how these and other related issues on the "entry system" would be taken forward.

3.17 On "fringe benefits", the Administration issued a consultation paper in October 1999 setting out its initial proposals on how fringe benefits for new recruits should be reformed. The proposals covered, inter alia, leave and leave passage, housing, medical and dental provisions and local education allowance. A noteworthy change is the Administration's proposal to introduce a new medical insurance scheme in place of the existing free medical and dental provisions. Feedback from staff so far, according to the Administration, is that there is no objection in principle to the proposal, subject to the condition that the coverage should provide a level of service not lower than the existing arrangement. A consultant will be appointed to work out detailed arrangements for further discussion with staff.

3.18 On "disciplinary mechanism", the Administration issued a consultation paper in August 1999 proposing the establishment of a centralised and independent standing secretariat to handle all disciplinary cases now being dealt with at departmental level and by the Civil Service Bureau at the central level. Feedback from staff, so far, has been positive.

3.19 Throughout the briefings, the Commission had been assured by the Administration that it would give careful consideration to the various views expressed by staff and that it would take forward the proposals step by step, seeking reform on the basis of stability of the system. Since the Commission had not been asked to formally advise on the reform proposals, we have not, so far, published our views. As the Commission would be invited to advise on the detailed implementation proposals to be worked out by the Administration in due course, the Commission considered that it would be pre-empting its position if it were to submit views to the Administration during the consultation period. Needless to say, the Commission will continue to maintain a keen interest in the further development of the reform proposals next year.

Liaison with Major Civil Service Staff Associations

3.20 Since 1992, the Commission has held informal meetings each year with the staff sides of the Senior Civil Service Council (SCSC) and the Model Scale 1 Staff Consultative Council, two central consultative councils constituted by the Government. The staff side of the SCSC is made up of the Association of Expatriate Civil Servants of Hong Kong (AECS), the Senior Non-Expatriate Officers Association (SNEOA) and the Hong Kong Chinese Civil Servants' Association (HKCCSA). In order to canvass a wider spectrum of views, the Commission decided in 1996 to meet also three major confederation type of unions not represented on the SCSC viz. the Hong Kong Civil Servants General Union (HKCSGU), the Government Employees Association (GEA) and the Federation of Civil Service Unions (FCSU). These meetings have proved to be very useful in keeping the Commission apprised of issues of topical concern to civil servants.

3.21 In 1999, the informal meetings took place between June and October. Topping the list of issues of concern are the benchmark and starting salaries review (which the Commission completed in June) and the civil service reform proposals. Other issues of interest include, inter alia, the enhanced productivity programme, the privatisation/corporatisation of public

services, the civil service consultative machinery; the need for improved housing and medical benefits and a number of grade specific issues.

3.22 On starting salaries, comments were focussed on the methodology for the pay comparison survey which they claimed was flawed because it ignored the unique characteristics of civil service jobs. Some were also concerned that there would be management problems in certain grades where reversed pay relativities occurred as a result of the direct application of the survey findings in adjusting civil service pay. Concern was also expressed that too frequent salary reviews would upset pay relativities and destabilise the civil service. There were also calls for a thorough review of the duties and responsibilities of all civil service grades in view of their growing complexity during the ten year period since the last major review in 1989 and for the salary of the civil service to be adjusted to take account of these changes.

3.23 On civil service reform, the Commission was repeatedly assured that civil servants were not against reforms introduced to enhance the productivity and efficiency of the civil service. Their main concern was that reform should not become a pretext to cut cost and to get rid of staff without due consideration for their re-employment or fair compensation for redundancy. There were criticisms of the management initiated retirement proposals and representatives of the more junior ranking staff, in particular, expressed concern over the enhanced productivity programme and the privatisation/corporatisation of public services. They made it clear to us that the Government's plans to privatise/corporatise some of its public services had caused much anxieties and frustration among civil servants. They ascribed much of the cause of the mass demonstrations and petitions organised by civil servants in 1999 to their fear of loss of job security. Against this unsettling background, it is not surprising that many of the staff representatives conveyed to us their dissatisfaction with the present consultative machinery in the civil service.

3.24 We listened carefully to their representations and shared our views with them where appropriate. We noted that with so many significant changes happening or in the offing, it was, indeed, a trying year for civil servants. We reminded them, however, that the trend for civil service reform is irreversible and in line with the re-engineering and structural changes that companies in the private sector were going through to improve efficiency and to stay competitive. To bring the civil service reform to fruition would require commitment and perseverance on the part of both the Administration and staff. We informed them that we had been kept apprised of developments by the Administration which had reassured us that the reform proposals would be implemented step by step and with as much staff involvement as possible. Although our meetings with the staff representatives were held on an informal basis, we nevertheless undertook to convey their concerns for the civil service reform and their requests for improvement in housing and medical benefits and in other grade specific issues to the Administration for consideration and follow-up, where appropriate.

3.25 In the course of the year, the Secretary General and Secretariat staff also maintained close contact with major interested private sector organisations to keep track of developments in the private sector, as well as to clarify misconceptions or explain matters related to civil service pay, conditions of service and pay trend surveys.

CHAPTER 4

PAY TREND SURVEY SYSTEM

4.1 The pay trend survey system produces annual indicators of the average pay movements of full-time employees of private sector companies in the survey field. Based on information of changes in salaries due to general pay increases, bonuses, merit payments and inscale increments collected by the Pay Survey and Research Unit (PSRU) from these companies, gross pay trend indicators (PTIs) are produced for three different salary bands for verification and agreement by the Pay Trend Survey Committee, prior to release for public information.

4.2 In accordance with the recommendations of a Committee of Inquiry in 1988, the Administration deducts the value of civil service increments at their payroll cost (expressed as a percentage of the total payroll cost for each salary band) from the gross PTIs to produce the net PTIs. In adjusting civil service pay, the Administration takes account of the net PTIs plus other factors such as budgetary considerations and the prevailing social and economic conditions.

Pay Trend Survey Committee

4.3 The Pay Trend Survey Committee (PTSC) is an independent body established by the Government on the Commission's advice in 1983. It is chaired by a Member of the Commission and comprising representatives from the Administration and the staff sides. Detailed membership is given at Appendix H.

4.4 The main function of the PTSC is to commission the annual pay trend survey, oversee the operation of the PSRU in conducting the pay trend survey and agree to its results. Once the findings of a pay trend survey have been agreed, neither the PTSC, nor for that matter the Commission, is involved in any way in subsequent discussions between the Administration and the staff on any pay adjustment based on the survey results.

4.5 In tendering advice to the Chief Executive on the methodology for the pay trend survey, the Commission will, as prescribed by its terms of reference, have regard to the advice of the PTSC.

4.6 The PTSC held three meetings during the year : the first in May to examine and validate the findings of the 1998/1999 pay trend survey; the second in September to review the methodology and the survey field in preparation for the 1999/2000 survey; and the last one in December to consolidate the survey field and to commission the 1999/2000 pay trend survey. The PSRU, under the guidance of the Secretary General, continued to provide support to the PTSC.

1998/1999 Pay Trend Survey

4.7 The 1998/1999 pay trend survey took place between January and May 1999. Out of a survey field of 82 companies, the PSRU collected information on pay adjustments in 77 participating companies (comprising 128,414 employees) over the twelve-month period from 2 April 1998 to 1 April 1999 and analysed the data in accordance with agreed criteria. After detailed consideration, the PTSC validated the results and published the gross PTIs on 19 May 1999. A summary of the results of the survey is at Appendix I.

4.8 On 3 March 1999, the Financial Secretary announced in his Budget Speech that for fiscal reasons, civil service pay levels would not be increased in the financial year of 1999/2000. Whether or not there was a need to go further than a freeze would be reviewed by the Government when the outcome of the pay trend survey was known. The Government subsequently decided on 8 June 1999 that the pay for all civil servants across the salary bands be frozen in the financial year of 1999/2000 starting from 1 April 1999. As a result, the pay scales for the civil service were not adjusted in 1999, the full set of which is given at Appendix J.

Preparation for the 1999/2000 Pay Trend Survey

4.9 To prepare for the pay trend survey for 1999/2000, the PTSC reviewed the survey methodology and survey field at its meeting in September. Since the methodology had worked well to produce creditable data for the compilation of the gross PTIs, the PTSC considered that the same methodology could continue to be used without change for the 1999/2000 pay trend survey. As regards the survey field, the PTSC agreed that the list of 82 companies used in the 1998/1999 pay trend survey should continue to be used for the 1999/2000 survey.

4.10 At its meeting in December 1999, the PTSC agreed to commission the PSRU to undertake the 1999/2000 pay trend survey between January to early May 2000.

CHAPTER 5

FUTURE PROGRAMME OF WORK

5.1 We aim to complete the Civil Service Job-Related Allowances Review and submit our recommendations to the Chief Executive by April 2000. At the same time, we will tender advice to the Secretary for the Civil Service on how the present system of Qualification Groupings could be simplified to prepare for the first annual updating of civil service benchmark and starting salaries in the latter half of the year.

5.2 We will continue to work within our Terms of Reference and tender advice on any proposed changes to the salaries and structure of individual grades deemed necessary by the Administration. We will maintain a keen interest in the further development of the civil service reform proposals and keep the methodology of the pay trend survey under review to ensure that the data collected is as creditable as possible.

5.3 As in the past years, we will continue to hold informal meetings with the seven major civil service staff associations next year. We will also maintain contact with organisations outside the civil service to ensure that we keep abreast of developments relevant to the discharge of our duties and responsibilities.