

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.