

## **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. Within our terms of reference and general remit, we are keen to contribute to the process of reform by reviewing issues or projects referred to us, and indeed adopt a proactive attitude in tackling the challenges of culture, mindset, improved productivity, benchmarking, etc. The Commission's terms of reference and membership list are at Appendices A and B respectively.

1.3 This is our twenty-first progress report and it gives an account of our major undertaking in 2001. We held a total of five Commission meetings and seven informal meetings with staff councils/associations during the year.

1.4 The Secretariat for the Standing Commission on Civil Service Salaries and Conditions of Service (Commission Secretariat) merged with the Secretariat for the Standing Committee on Disciplined Services Salaries and Conditions of Service to form a Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (Joint Secretariat) on 1 December 2001. The Joint Secretariat provides enhanced support services to four advisory bodies on civil service and judicial salaries and conditions of service, namely, the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Disciplined Services Salaries and Conditions of Service, the Standing Committee on

Directorate Salaries and Conditions of Service and the Standing Committee on Judicial Salaries and Conditions of Service. Secretariat services for the latter two standing committees had previously been provided by the Civil Service Bureau.

1.5 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 Angus MIU**, acting Secretary General of the then Commission Secretariat and after the merger, **Mr LEE Lap-sun**, Secretary General of the Joint Secretariat. We would also like to thank the staff of the then Commission Secretariat and the Joint Secretariat (list at Appendix C) for their support.

## CHAPTER 2

### INDIVIDUAL SUBMISSIONS AND INFORMAL MEETINGS WITH CIVIL SERVICE STAFF ASSOCIATIONS

2.1 A summary of our views and recommendations on the Administration's individual submissions are set out in the following paragraphs.

#### **Review of Mechanism for Adjusting Housing Allowances**

2.2 The Commission's advice was sought in December 2000 on the Administration's proposal to –

- (a) introduce a new mechanism for adjusting the Home Financing Allowance (HFA), the Home Purchase Allowance (HPA) and the Rent Allowance (RA)<sup>1</sup>; and
- (b) adjust the Private Tenancy Allowance (PTA) and the Accommodation Allowance (AA)<sup>2</sup> in accordance with the full-year rental movements of the previous year.

2.3 Under a mechanism which had been in place since 1992, the rates for the HFA/HPA/RA were adjusted according to movements of property prices in the past 12 months ending 31 December as measured by the Private Domestic-Price Indices compiled by the Rating and Valuation

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<sup>1</sup> Introduced in January 1999, the RA was payable to agreement officers on MPS 34 or above appointed on or after 1 January 1999 on Common Terms. Under the RA scheme, a monthly allowance at rates equivalent to those payable under the HFS may be granted to eligible officers for a maximum of ten years. The RA is used for renting accommodation in Hong Kong. Officers in receipt of RA may, if eligible, apply to transfer to the HFS or HPS in accordance with the terms of the respective schemes at any time during their 120-month entitlement period and claim the benefits under the HFS/HPS for the balance of their entitlement period.

<sup>2</sup> The AA is restricted to officers appointed on overseas terms between 1 October 1990 and 31 December 1998. The allowance can only be used for renting accommodation in Hong Kong. There is no provision for these officers to transfer to HFS/HPS/RA.

Department (RVD), but capped by the increase in the Consumer Price Index (A) (CPI(A)) in the corresponding period to contain costs to Government. The rates for the PTA/AA, on the other hand, were adjusted according to changes in rental indices in selected areas in the third and fourth quarters of the previous year compiled by the RVD. All these housing allowances were adjusted annually on 1 April.

2.4 The Administration considered it timely to review the adjustment mechanism to see whether it still met present day circumstances.

2.5 As the system operated, increases in the HFA/HPA/RA rates in a rising property market were capped by the increase in the CPI(A). When the property market declined, the rates of allowances were reduced in strict accordance with the decrease in property prices. Over the years, the system had resulted in a cumulative effect in a rising property market and a cumulative reducing effect in a declining market. The Administration considered that, in fairness, such cumulative effects should be removed by adopting a new mechanism whereby adjustments (both upwards and downwards) would be made according to the rates of allowance, the Private Domestic-Price Indices and the Composite CPI of a base year. The proposed formula is illustrated as follows-

$$\text{Revised Rates} = \text{Rates in base year} \times \frac{\text{Private Domestic-Price Indices in the past 12 months ending 31 December}}{\text{Private Domestic-Price Indices in base year}}$$

but any increases would be capped by :

$$\frac{\text{Composite CPI in the past 12 months ending 31 December}}{\text{Composite CPI in base year}}$$

The Administration proposed to adopt the latest figures, i.e. the Private Domestic-Price Indices and the Composite CPI in 1999 and the rates of allowances effective from 1 April 2000 as the bases for comparison in the subsequent review. The Composite CPI as a whole, rather than the housing element of the CPI, which measures only rental movements, is generally used as an indicator of inflation/deflation. The increase in the rates of allowances

would be capped by the increase in the Composite CPI and no adjustment would be made if the Composite CPI was negative in a rising property market.

2.6 As regards the rates for the PTA/AA, the Administration considered it more appropriate to adjust these rates based on rental movements of the full-year rather than that of the third and fourth quarters of the previous year. Given the fact that participants were joining these schemes all year round, so doing would even out any seasonal fluctuations in the year.

2.7 The Administration's proposals were generally supported by the staff sides, although two issues were raised by the Senior Civil Service Council (SCSC) and the Police Force Council (PFC) respectively. The SCSC suggested that higher weighting should be given to the rental changes in the last quarter of the previous year for the adjustment of the PTA and the AA. The Administration was of the view that according higher weighting to the rental movements of the last quarter would tend to amplify temporary or short-term fluctuations. The Administration did not consider it necessary to review the base year every three to five years, as requested by the PFC, as the change of base year would not affect the percentage change of property price indices which was the basis for adjusting the allowances.

2.8 The Administration intended to seek approval of the Finance Committee in early 2001 with a view to implementing these proposals for the next adjustment on 1 April 2001. In view of the urgency of the matter, we considered the proposal by circulation. During the consideration, one Member expressed concern about the likely variations between different flat sizes or different geographical locations used by the RVD for the compilation of indices, the appropriateness of taking 1999 rather than 2000 as the base year, and observed that the RVD's indices had tended to lag the market by several months. His concerns were subsequently allayed after the Administration provided supplementary information on the Private Domestic-Price Indices and the background for taking 1999 as the base year.

2.9 To contain the cost to Government, we agreed that the increase in the HFA/HPA/RA rates should continue to be capped and that it would be more appropriate to replace the CPI(A) by the Composite CPI in calculating

the cap. We agreed also that it would be only fair to recipients of the HFA/HPA/RA that the cumulative effect of the existing mechanism should be removed. We also appreciated that if the new mechanism was to come into effect on 1 April 2001, then 2000 could not be used as the base year because the Private Domestic-Price Indices and the Composite CPI for 2000 would not be available before that date.

2.10 Our support for the proposal on a new mechanism for adjusting the HFA/HPA/RA and the proposal to adjust the PTA/AA in accordance with the full-year rental movements of the previous year was conveyed to the Administration in a letter dated 18 January 2001 to the Deputy Secretary for the Civil Service (Appendix D). We understand that the proposals were implemented with effect from 1 April 2001.

### **Reduction of Conditioned Hours of Work of Police Officers and Traffic Wardens**

2.11 In February 2001, we were invited by the Administration to advise on a proposal to reduce the conditioned hours of the Traffic Warden (TW) grade from 51 gross (viz. including lunch breaks) to 48 gross per week without adjusting its pay scales accordingly. The TW grade, consisting of two ranks, were required to perform law enforcement duties. Members of the grade were also subject to controls under the Traffic Warden (Discipline) Regulations and were required to wear uniform on duty. They were required to work irregular hours and their conditioned hours of 51 hours gross per week were the same as those for Constables and Sergeants in the Police Force with whom they worked closely.

2.12 Back in 1996, the Commissioner of Police (CP) proposed to reduce the conditioned hours of police officers (POs) and the TWs from 51 gross to 48 gross per week. With the approval of the Civil Service Bureau, a trial scheme to test the viability of the CP's proposal was launched in 1997, on the understanding that the proposal would be cost-neutral, requiring no additional resources, and that the service to the public would not be adversely affected. On successful conclusion of the trial scheme in late 1999, the Administration sought the views of the Secretaries General of the Commission and the Standing Committee on Disciplined Services Salaries and Conditions of Service on the appropriate timing to submit a proposal to

formalise the arrangement. Having regard to the workload of the two advisory bodies at that time, a suggestion was made to the Administration to defer submission until after April 2000. This was agreed by the Administration. In the meantime, the Administration gave approval for the CP to vary the conditioned hours of the POs and the TWs from 51 gross to 48 gross per week for an unspecified period.

2.13 In February 2001, the Administration re-visited the proposal and sought the Commission's advice to formalise the reduction of conditioned hours for the TW grade in parallel with a similar submission to the Standing Committee on Disciplined Services Salaries and Conditions of Service in respect of the PO grade.

2.14 The Administration's proposal to reduce the conditioned hours of the TW grade was based on the following considerations –

- (a) the CP's confirmation that there would be no requirement for additional manpower to implement the proposal;
- (b) the Secretary for the Treasury's confirmation that the proposal would not involve additional financial implications for the Government as the TWs were normally granted time-off-in-lieu for overtime work and the level of unrecompensed overtime figures had remained stable for the past three years;
- (c) pay implications of the proposal were minimal since conditioned hours were just one of the factors affecting pay, and that a reduction of three working hours per week would not result in the reduction of services to the public;
- (d) the operational need that the conditioned hours of the TWs should correspond with the disciplined grade in view of their close relationship;
- (e) formalising the proposal would boost the morale of the Police Force and in turn enhance productivity; and

- (f) any knock-on effect leading to any request from other disciplined services/civilian grades for a similar reduction in conditioned hours would be dealt with on the merits of each case.

Specifically, the Commission's advice was sought on whether the proposed reduction of the TW's conditioned hours should be formalised and whether the proposal should be implemented without a change to their pay scales. Furthermore, the Commission was invited to advise whether the proposal had any implications for other civilian grades.

2.15 We saw no objection to formalising the proposal since the Administration was satisfied that the reduction in conditioned hours would not reduce services to the public and that this new arrangement could be implemented without additional manpower or financial resources.

2.16 On the question of pay implications, we would point out, however, that conditioned hours were one of the important factors for determining the pay of civil service grades. The Commission's past comments on the issue (paragraph 4.75 of Report No. 23 and paragraph 2.6 of Report No. 26) also stressed the need to make suitable adjustment to the pay scale of the grade concerned to take account of the conditioned hours of work.

2.17 It should be noted that the pay scales of the TW grade were adjusted upwards by three Master Pay Scale (MPS) points in the 1989 Salary Structure Review in recognition of the unpleasant and dangerous elements of the TW's job, the requirement to work irregular hours and the longer conditioned hours, and increasing recruitment and retention problems confronting the grade at that time.

2.18 In considering the proposal in question, however, we noted the Administration's view that the implication on pay arising from the reduction in conditioned hours of the TW grade would be minimal. We also noted the precedent case of the operational firemen whose conditioned hours were reduced in 1990 from 60 to 54 per week without any reduction in pay.



2.19 We appreciated the close working relationship between the TWs and the POs, which was applicable only to the TW grade and rarely found in any other civilian grade, and agreed with the Administration that it would be a fair management practice to extend the same treatment to both grades of staff. We therefore supported the Administration's proposal to reduce the TW's conditioned hours without changing their pay scales. We, however, urged the Administration to make all concerned staff aware that the case of the TW grade would not be applied as a general rule to other civilian grades. We also noted the Administration's pledge to deal with the knock-on effect brought about by the proposal on the merits of each case.

2.20 At the Commission's meeting on 12 April 2001, we considered and endorsed the Administration's proposal. Our views and recommendations were conveyed to the Chief Executive in a letter dated 2 May 2001 (Appendix E). We understand that the reduced conditioned hours for the TW grade were implemented on 10 June 2001.

### **Revision of Starting Pay for the Assistant Landscape Architect Rank**

2.21 In March 2001, our advice was sought on the Administration's proposal to revise the starting pay for the rank of the Assistant Landscape Architect (ALA) from MPS 11 to MPS 13.

2.22 The Landscape Architect (LA) grade is classified under Group 1 of the "Professional and Related Grades" Group. No post-qualification experience was required for appointment to the ALA rank prior to 1998. With the establishment of the Hong Kong Institute of Landscape Architects (HKILA) in 1996 and the subsequent introduction of a Graduate Training Scheme for the LAs in 1998, fresh graduates in landscape architecture, or equivalent, would be appointed as LA Graduates, instead of ALA as in the past, to undergo two-year post-qualification training. On successful completion of the training, LA Graduates could apply for appointment as ALA, subject to the availability of vacancies. The appointment requirement for ALA was accordingly revised in 1998 to "a degree/diploma in Landscape Architecture or a qualification which is acceptable to the HKILA as satisfying the academic requirements for admission into the HKILA Examination, plus two years' post-qualification practical training/experience

satisfying the training requirements for corporate membership of the HKILA” to cater for this experience requirement. This resulted in an anomaly in pay between the ALA rank and other assistant professional ranks requiring post-qualification experience on appointment, whose pay starts from MPS 13 or 14 depending on the length of the requisite experience. The Administration therefore proposed that the starting pay for an ALA be raised by two points to MPS 13. This proposal was supported by both the staff concerned and the Director of Housing, who is the Head of Grade of the LAs working in the Housing Department.

2.23 At the Commission’s meeting on 12 April 2001, we considered and supported the Administration’s proposal, which was in line with the established pay principles for assistant ranks requiring post-qualification experience. Our recommendation was conveyed to the Chief Executive in a letter dated 2 May 2001 (Appendix F). We understand that the proposal was implemented on 22 June 2001.

### **Merger of the Amenities Officer Grade and the Recreation and Sport Officer Grade into a New Leisure Services Manager Grade**

2.24 In March 2001, the Commission was invited to advise on the Administration’s proposal to merge the Amenities Officer (AO) grade and the Recreation and Sport Officer (RSO) grade to form a new Leisure Services Manager (LSM) grade. The AO grade and the RSO grade are responsible for the delivery of leisure services under the Leisure and Cultural Services Department (LCSD). The AO grade deals with the planning and development of recreational and amenities projects while the RSO grade is responsible for the promotion and organisation of recreational activities and public sports programmes.

2.25 The Administration considered the existing mode of operation unsatisfactory in that the functional roles of the AO grade and the RSO grade were closely related and tended to converge at planning, policy and management levels. This resulted in cross-postings of the two grades. With the two grades operating separately, flexibility in staff deployment was limited and scope for career development restricted. Furthermore, because of the strict demarcation of responsibilities between the two grades, RSOs, who were responsible for organising training courses and sports activities,

were not attached to the recreation venues in which such courses and activities were held, thus hampering their services to the public.

2.26 Since 1985, the department had carried out various studies to address these issues but they were shelved mainly due to staff objection. The issue was re-visited in 1998 by the joint management of the former Regional Services Department and the former Urban Services Department, and a decision was taken to merge the two grades into a new grade called “Leisure Services Manager”. This decision was reinforced by the recommendation made by the consultant appointed by Government to study the development of a new institutional framework for the provision of arts and culture, sport and recreation in view of the then proposed dissolution of the provisional municipal councils.

2.27 Benefits of the merger were anticipated as follows –

- (a) a new mode of operation could be introduced whereby a single team would be assigned to take care of both venue management and sports programming in every recreation venue and facility, thus providing a one-stop service to the public;
- (b) the merger would help control cost through efficiency enhancement and productivity gain since only one Assistant Leisure Services Manager (ALSM), instead of a resident AO II and an ARSO II, would be deployed to each of the recreation venues across the territory (approximately 220 in number); and
- (c) the merger would help develop a multi-skilled work force able to handle both facility management and sports programming by removing the historical demarcation of duties between the AO and RSO grades.

2.28 Having regard to the nature and work requirements of the new grade, the Administration proposed to adopt a new set of entry requirements which were essentially modelled after the RSO grade, and that the new grade be grouped under the Other Grades category similar to the RSO grade.

2.29 The major consideration of the Administration in setting the proposed pay structure for the new grade was that the majority of the AO and the RSO grade staff were responsible for organising district operation activities and under the new one-stop mode of leisure services delivery, the scope of responsibilities would be broader and the nature of work would be more diversified for most grades. The Administration thus considered that the overall pay structure should not be lower than the current levels of the two grades.

2.30 The Director of Leisure and Cultural Services (DLCS) had consulted staff and staff unions of the AO and RSO grades extensively on the merger proposal. The Administration accepted some of the staff suggestions in fine-tuning its proposals on the merger package. Given the financial constraints and the conflicting expectations of the two grades concerned, the DLCS considered it not possible to fully meet the demands of both the AO and RSO grades. He considered that the merger was essential for efficiency gain, better services to the public and greater flexibility in staff deployment. The DLCS stressed that it was in the interest of the department, the public and the staff themselves to take the proposal forward. This position was supported by the Secretary for Home Affairs.

2.31 At the request of the Government Recreation and Sport Service Staff Union (GRSSSU), who wished to meet the Commission prior to our formal consideration of the merger proposal, we met representatives of the Union on 12 April 2001 to hear their views and concern. Separately, we also met representatives from the Amenities Officers Association (AOA). In the main, the AOA supported the merger proposal. The GRSSSU indicated that the RSOs were not averse to any measures to improve the delivery of leisure services, but were not satisfied mainly with the pay arrangements for the new LSM grade, and the lack of information on logistical and administrative support for the new mode of operation in future. They queried the need for the merger at that stage. We subsequently obtained the Administration's responses to the issues raised at these meetings.

2.32 In considering the justifications and merits for the merger proposal, we noted the close relativity and duplication of responsibilities between the two grades. The arrangement for two separate AO and RSO grades appeared to be redundant and the historical demarcation of the two

grades was long overdue for a revamp. We agreed that the merger would help develop a multi-skilled work force able to handle both facility management and sports programming. We appreciated that elimination of the current demarcation between the AO and RSO grades would entail the need for staff in both grades to acquire new knowledge or skills to become fully functional in the new setup, but this could be properly managed through suitable training and sensitive deployment to be provided by the LCSD. We therefore saw no reason for not implementing the merger proposal.

2.33 Regarding the various issues raised by the affected staff, we were generally satisfied with the Administration's detailed explanations on the rationale behind the merger package and the proposed actions to address the staff's concerns.

2.34 At the Commission's meeting on 3 May 2001, we considered and endorsed the Administration's proposal to merge the AO grade and the RSO grade into a new Leisure Services Manager grade and the pay structure proposed for the new grade. Our views and recommendations were conveyed to the Chief Executive in a letter dated 10 May 2001 (Appendix G). We understand that the new Leisure Services Manager grade was created on 6 July 2001.

### **Civil Service Provident Fund Scheme**

2.35 We were informed by the Administration in January 2001 that it was in the process of conducting public consultation on the setting up of a Civil Service Provident Fund (CSPF) Scheme, which would apply only to recruits appointed on permanent terms on or after 1 June 2000. The consultation period ended on 30 April 2001.

2.36 Over 90 returns were received from the staff, departmental management, business groups, academics and editorials, and the vast majority of them either supported or had no objection in principle to the CSPF proposal. In the light of the consultation feedback, a set of design options for the CSPF Scheme was developed. In June 2001, the Commission advised the Administration on the proposals for the CSPF Scheme, including the design options, proposals for death, incapacity and

injury benefits, and proposals for withholding, forfeiture and reduction of the CSPF benefits.

2.37 We agreed to the Administration's proposals on the application scope and retirement age. We welcomed the introduction of a progressive contribution rate with a benchmark of 18% over the entire career span of staff. However, we urged the Administration to bear in mind that –

- (a) given the career profile of the civil service and the fact that recruits appointed directly to higher ranks would be eligible for higher contribution rates at the start of their careers, the actuarial assumptions used must be carefully considered to ensure that the 18% benchmark would not be exceeded; and
- (b) the progressive contribution scales should be designed so that staff in earlier years (say after 3 to 5 years subject to the Administration's view) could enjoy a relatively attractive contribution rate. This would provide an extra incentive to help reduce the risk of losing this group of officers, who would become the key driving force of the civil service in the future.

2.38 We saw no objection to the Administration's proposed additional Special Disciplined Services Contribution rate of 2.5% to be given to disciplined services staff in view of the difference in retirement benefits under the CSPF Scheme owing to the variance in retirement ages between civilian staff and disciplined services staff. We agreed to the vesting schedules proposed for civilian staff and disciplined services staff respectively. We agreed to the Administration's view that serving staff should not be allowed a transfer option and that new recruits should not be allowed to join the existing pensions schemes.

2.39 We supported the Administration's proposals for death, incapacity and injury benefits for new recruits, which were broadly comparable to those for existing staff on permanent terms, and the proposed inclusion of provisions to deal with withholding, forfeiture, cancellation or reduction of benefits under the CSPF Scheme arising from the Government's voluntary contributions.

2.40 Our views and observations on the Administration's proposed design options for the CSPF Scheme and other proposals related to the CSPF Scheme on the death, incapacity and injury benefits for new recruits on permanent terms were conveyed to the Administration in a letter dated 15 June 2001 (Appendix H). We understand that upon approval by the Executive Council, the Administration aims to have the CSPF Scheme in place by early 2003 as the first batch of recruits after 1 June 2000 will be considered for appointment on permanent terms by then.

### **Annual Updating on Civil Service Starting Salaries**

2.41 We were invited by the Administration to undertake a review of the starting salaries in the civil service. This was completed in 1999 and one of our recommendations in the review report (Report No. 36 – 1999 Civil Service Starting Salaries Review) was “a full benchmark and starting salaries review should be conducted, say, every three to four years, with annual updating carried out in the interim”. This was to ensure that the starting salaries for jobs in the civil service would be kept in line with those for jobs with comparable entry qualifications in the private sector. At the request of the Administration, we carried out the first updating of civil service starting salaries in 2000.

2.42 In June 2001, we accepted the Administration's invitation to undertake the second annual exercise to update civil service starting salaries. The exercise was completed in September 2001 and the findings of the 2001 updating survey were forwarded to the Secretary for the Civil Service on 4 October 2001. These findings in the report would serve as a reference for the Administration in deciding whether a revision of the civil service starting salaries would be necessary.

2.43 On 10 October 2001, we were informed of the Administration's decision not to adjust the benchmarks and starting salaries for the civilian or the disciplined grades in the civil service.

## **Informal Meetings with Civil Service Staff Associations**

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

2.45 The informal meetings in 2001 were held in October and November. We were pleased to note that the staff appreciated the implications of the unfavourable economic situation and showed a positive attitude towards changes in the civil service. The staff associations stressed the need for timely and thorough consultation on major civil service initiatives and they appealed to the Administration to strengthen the partnership relationship between management and staff. Views were expressed on the Civil Service Provident Fund Scheme and some associations regretted to note that serving officers were not given the option to transfer to the Scheme. Some associations raised concern on the administration of the performance appraisal system and others expressed concern about the implications of employing non-civil service contract staff.

2.46 On pay-related issues, the staff would like to see the existing mechanism for civil service pay adjustment retained. They considered that no review of the pay adjustment mechanism should be carried out unless the new entry system had been well tried out. The associations generally felt that it was not an opportune time to conduct a pay level survey in the light of the adverse economic situation.



2.47 We had also been apprised of progress concerning the proposed conversion of Model Scale 1 staff from Category B to Category A status and the Hong Kong Civil Servants General Union's application for admission into the SCSC.

2.48 Apart from our informal meetings with civil service staff associations, the Commission Secretariat/Joint Secretariat also maintained close contact with major interested private sector organisations to keep track of developments in the private sector. The opportunity was taken to explain to them matters related to the civil service or clarify any misconceptions on civil service pay, conditions of service or pay trend surveys.

## **CHAPTER 3**

### **PAY TREND SURVEY SYSTEM**

3.1 The pay trend survey system produces annual indicators of the average pay movements in respect of full-time employees of private sector companies participating in the survey. The Pay Survey and Research Unit (PSRU) collects from these companies information about any changes in pay arising from general salary adjustments, bonuses, merit payments and inscale increments. These data are analysed to produce gross pay trend indicators (PTIs) for three different salary bands, which are then presented to the Pay Trend Survey Committee for verification and agreement.

3.2 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 as well as other factors such as staff morale, budgetary considerations and the prevailing social and economic conditions.

#### **Pay Trend Survey Committee**

3.3 The Pay Trend Survey Committee (PTSC) is an independent body established by the Administration on the Commission's advice in 1983. It is chaired by a Member of the Commission and comprises representatives of the Administration and the staff sides. Its membership is at Appendix I.

3.4 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 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 sides on any pay adjustment based on the survey results.

3.5 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.

3.6 The PTSC held four meetings during the year. The first meeting was held in early-May to receive a report from the Controller of the PSRU about the findings of the 2000/2001 pay trend survey; the second in mid-May to examine and validate the survey findings; the third in September to review the methodology and the survey field in preparation for the 2001/2002 survey; and the last one in December to consolidate the survey field and to commission the PSRU to undertake the 2001/2002 pay trend survey. The PSRU, under the guidance of the Secretary General of the Joint Secretariat, continued to provide support to the PTSC.

### **2000/2001 Pay Trend Survey**

3.7 The 2000/2001 pay trend survey took place between January and May 2001. At the commencement of the survey, the survey field comprised 89 companies. Following the merger of two companies, 88 remained in the field. In the event, 76 companies actually participated. The PSRU collected information on pay adjustments in these 76 companies (comprising 127,625 employees) over the twelve-month period from 2 April 2000 to 1 April 2001 and analysed the data in accordance with the approved methodology. The survey findings were released provisionally for public information on 11 May 2001 prior to formal validation by the PTSC on 16 May 2001. A summary of the validated results of the survey is at Appendix J.

3.8 The Government decided on 6 July 2001 to grant pay adjustment in the financial year of 2001/2002 starting from 1 April 2001, of 4.99% for the civil servants in the upper salary band and of 2.38% for those in the middle/lower salary bands. The revised pay scales for the civil service backdated to take effect from 1 April 2001 are given at Appendix K.

## Review of Methodology for the 2001/2002 Pay Trend Survey

3.9 To prepare for the pay trend survey for 2001/2002, the PTSC reviewed the survey methodology and survey field at its meeting in September 2001 as follows –

- ♦ *Representativeness of economic sectors and distribution of industries within the sectors*

On the over-representation of certain economic sectors in the pay trend survey field, the PTSC decided that the present arrangement of maintaining a stable core of companies in the survey field should continue for the 2001/2002 survey and that existing companies should not be deleted if they fully met the selection criteria. The PTSC also decided that when new companies were added to the survey field, they should be so selected as to address this over-representation and to help achieve, as far as possible, a closer reflection of the corresponding industry distribution in the Hong Kong community at large.

- ♦ *Absence of companies with less than 100 employees in the survey field*

Pending the outcome of a long-term review, the PTSC decided that the minimum size of 100 employees should continue to be adopted for the 2001/2002 survey.

- ♦ *Inclusion of bonuses in calculating PTIs*

As the present methodology reflects any increases as well as cessation of additional payment, such a one-off payment in a private sector company in the survey will not have a permanent effect on civil service salaries. In the light of the above, the PTSC took the view that in line with the Government's pay adjustment policy, bonus change should continue to be taken into account in calculating PTIs.

- ♦ *Growing gap in PTIs between the upper and the lower/middle salary bands*

Having regard to its terms of reference, the PTSC considered that it should not be concerned with such social equity issues as the growing gap in pay between salary bands. This should be left to the Administration to consider when determining the pay adjustment for civil servants.

3.10 In conclusion, the PTSC decided to continue to use the same methodology without change for the 2001/2002 pay trend survey. With five companies not participating due to various reasons, the survey field was reduced to 83 companies. To improve the survey field, the PTSC decided to add 15 new companies, bringing the total in the field to 98, for the 2001/2002 survey.

### **Review of Survey Field for the 2001/2002 Pay Trend Survey**

3.11 The PTSC had since the 2000/2001 survey examined whether there was enough representation of information technology (IT)/high technology (HT) companies in the pay trend survey and whether a new IT/HT sector should be created. The PTSC noted that at present 14 companies in the survey field were engaged in IT/HT and related activities. Together they employed over 24,000 employees, accounting for 18% of the survey population. Since the economic sector classification for the survey field had been drawn up by reference to that adopted by the Census and Statistics Department, the Department was again consulted. Their advice was that companies engaged in the related activities were still not classified as a single industry in their Hong Kong Standard Industrial Classification. On account of this, the PTSC agreed that it would not be opportune at this stage to create a new IT/HT sector in the pay trend survey field.

3.12 At its meeting in December 2001, the PTSC agreed to commission the PSRU to undertake the 2001/2002 pay trend survey between January and early May 2002.

## **CHAPTER 4**

### **FUTURE PROGRAMME OF WORK**

4.1 In the year 2002, our efforts are focused on the review of civil service pay policy and system. On 4 January 2002, the Commission accepted the Administration's invitation to conduct a comprehensive review of the pay policy and system for the civil service in conjunction with the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service. A Task Force with members drawn from these three advisory bodies was formed on the same day to oversee the review.

4.2 In view of the complex nature of the review, the Administration has suggested a phased approach. For the first phase of the review, an analytical study is conducted on the latest developments in civil service pay administration in other governments and identify best practices that may be of particular relevance to Hong Kong. This study is due to complete around the middle of 2002. Based on the findings of the analytical study, and taking account of feedback from public consultation, the Task Force will make recommendations regarding the scope, methodology, timing and timeframe for completing the comprehensive review under phase two. With this tight time schedule, we can be expected to be heavily involved in the first phase of the review in 2002.

4.3 We shall continue to carry out our responsibilities under the Commission's terms of reference and to tender advice on any proposals from the Administration for changes to the pay and conditions of service for individual grades or for the civil service as a whole. We shall keep the methodology of the pay trend survey under review to ensure that the data collected are as creditable as possible.

4.4 As in the past, we shall keep up with our contacts with major civil service staff associations and private sector organisations, to ensure that we keep abreast of developments relating to the discharge of our duties and responsibilities.