

## 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.