

HONG KONG  
STANDING COMMISSION ON CIVIL SERVICE  
SALARIES AND CONDITIONS OF SERVICE

REPORT No.42

# REPORT 2007

CHAIRMAN

MR NICKY LO KAR-CHUN, JP

JANUARY 2008

**公務員薪俸及服務條件常務委員會**  
**Standing Commission on Civil Service Salaries and Conditions of Service**

本會檔號    Our Ref. :    JS/SC8/R42  
尊函檔號    Your Ref. :  
電    話    Tel.:

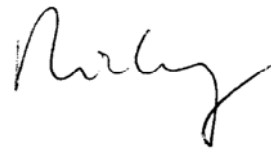
30 January 2008

The Honourable Donald Tsang, GBM  
The Chief Executive  
Hong Kong Special Administrative Region  
People's Republic of China  
Government House  
Hong Kong

Dear Sir,

-----  
On behalf of the Standing Commission on Civil Service Salaries and Conditions of Service, I have the honour to submit a report which contains an account of our work during 2007.

Yours faithfully,



( Nicky Lo Kar-chun )  
Chairman

Standing Commission on Civil Service  
Salaries and Conditions of Service

HONG KONG  
STANDING COMMISSION ON CIVIL SERVICE  
SALARIES AND CONDITIONS OF SERVICE

REPORT No. 42

# REPORT 2007

JANUARY 2008

# Standing Commission on Civil Service Salaries and Conditions of Service

December 2007



Front Row :            Mr Mak Ping-on            Prof the Hon Anthony Cheung, BBS, JP            Mr Nicky Lo Kar-chun, JP (Chairman)            The Hon Howard Young, SBS, JP            Mrs Eleanor Ling, SBS, JP

Back Row :                            Ms Michelle Li, JP (Secretary General)                            Mr Andy Lo                            Mr David Yip (Assistant Secretary General)

Absent :            Ms Virginia Choi            Prof Ho Lok-sang            Mr Mark Lettenbichler

## Contents

<b>Chapter</b>		<b>Page</b>
1	Introduction	1
2	Development of an Improved Pay Adjustment Mechanism for the Civil Service	3
3	Pay Trend Survey System	11
4	Individual Submission, Informal Meetings with Civil Service Staff Bodies and Other Activities	17
5	Future Programme of Work	21
 <b>Appendix</b>		
A	Terms of Reference of the Commission	23
B	Membership of the Commission	25
C	Letter of 23 February 2007 to the Secretary for the Civil Service on the Administration's proposed improvements to the methodology of the pay trend survey	27
D	Letter of 10 April 2007 to the Secretary for the Civil Service on the Administration's proposals to apply the results of the pay level survey to the civil service	33
E	Letter of 11 May 2007 to the Secretary for the Civil Service on the Administration's proposals to apply the results of the 2006 Starting Salaries Survey to the civil service	39

<b>Appendix</b>		<b>Page</b>
F	Composition of the Pay Trend Survey Committee	45
G	Summary of the 2007 Pay Trend Survey	47
H	Civil service pay scales relevant to the Commission's purview	51
I	Letter of 20 November 2007 to the Secretary for the Civil Service on the review of the improved methodology of the pay trend survey	53
J	Letter of 24 April 2007 to the Deputy Secretary for the Civil Service on the Administration's proposals to refine the review and monitoring mechanism for Job-related Allowances for civilian grades	71

# Chapter 1

## Introduction

1.1 Since its establishment in 1979, the Standing Commission on Civil Service Salaries and Conditions of Service has been advising the Chief Executive (or the then Governor) 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 and makes recommendations 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 the Government. Within our terms of reference and general remit, we are keen to contribute to the process of any reform by reviewing issues or projects referred to us, and adopt a proactive attitude in tackling the challenges of civil service 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 forty-second report and it gives an account of our major undertakings in 2007. During the year, we held six Commission meetings and four informal meetings with staff councils/associations.

1.4 We would like to express our heartfelt gratitude to **Professor the Honourable Anthony Cheung, BBS, JP, Mr Mak Ping-on** and **the Honourable Howard Young, SBS, JP**, who retired after six years of dedicated service in the Commission.

1.5 We wish to thank **Miss Denise Yue, GBS, JP**, Secretary for the Civil Service, and her staff for their assistance and co-operation. Our appreciation also goes to **Ms Michelle Li, JP**, Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, and her staff for their support during the year.





## Chapter 2

### Development of an Improved Pay Adjustment Mechanism for the Civil Service

2.1 During the year, the Commission tendered advice on the Administration's proposals in connection with the development of an improved pay adjustment mechanism for the civil service. There were three proposals in total, namely the proposal to improve the methodology of the pay trend survey (PTS), the proposal to apply the pay level survey (PLS) results to the civil service, and the proposal to apply the findings of the 2006 starting salaries survey (SSS) to the civil service. Our views and recommendations are summarised in this Chapter.

#### Background

2.2 On 18 December 2001, the Secretary for the Civil Service wrote to the Commission inviting it to take the lead in coordinating with the other two advisory bodies on civil service salaries and conditions of service<sup>Note</sup> in conducting the Review of Civil Service Pay Policy and System. A Task Force on Review of Civil Service Pay Policy and System (Task Force), with members drawn from the three advisory bodies, was formed in January 2002 to conduct the review. Eight members of the Commission joined the Task Force. The Task Force submitted its Final Report to the Secretary for the Civil Service on 20 September 2002.

2.3 On 25 February 2003, the Chief Executive-in-Council endorsed the recommendation of the Task Force that priority should be given in the short term to devising a practical framework and methodology for conducting a PLS and to reviewing the PTS methodology. It was decided that the Administration should in consultation with staff develop, on the basis of the existing mechanism, an improved civil service pay adjustment mechanism comprising three aspects, namely the conduct of periodic PLS to compare civil service pay levels with those in the private sector, the conduct of annual

---

<sup>Note</sup> The other two advisory bodies are –

- (a) The Standing Committee on Directorate Salaries and Conditions of Service; and
- (b) The Standing Committee on Disciplined Services Salaries and Conditions of Service.

PTS based on an improved methodology, and an effective means for implementing both upward and downward pay adjustments.

2.4 To take forward the exercise, the Secretary for the Civil Service set up a Steering Committee comprising members drawn from the three advisory bodies to provide independent and professional advice. Six out of the eight non-official members of the Steering Committee were also members of the Commission at that time. A Consultative Group involving staff representatives from the staff sides of the central consultative councils and the major service-wide staff unions has also been formed to provide staff input to the exercise.

2.5 Since then, the Administration has kept the Commission informed of the progress and conducted briefing sessions for the Commission, alongside other advisory bodies. The reviews of the PLS and PTS were completed in the first half of 2007. The Administration commenced discussion with the staff side on the upward and downward pay adjustment mechanism in December 2007. An SSS was completed in 2006-07 to complement the determination of civil service pay.

2.6 At the invitation of the Administration, the Commission tendered its advice on the Administration's proposals in connection with the PTS, PLS and SSS between February and May 2007. Details are set out in the following paragraphs.

## **Improvements to the Annual Pay Trend Survey Methodology**

### ***The Administration's proposed improvements***

2.7 In February 2007, the Administration wrote to the Commission seeking its advice on the proposed improvements to the methodology of the PTS, which mainly covered the following –

- (a) *inclusion of smaller companies in the PTS survey field*: in addition to companies employing 100 staff or more (larger companies), smaller companies with 50 to 99 employees (smaller companies) should be included in the PTS survey field;

- (b) *share of smaller companies in the survey field*: around 25% of the survey field should be taken up by smaller companies and around 75% by larger companies; and
- (c) *data consolidation methodology*: a modified weighted average approach be adopted to consolidate the pay data obtained from the surveyed private sector companies and to work out the gross pay trend indicators based on gross-up factors of 0.25 and 0.75 for smaller companies and larger companies respectively.

2.8 The Administration further proposed that –

- (a) the improved PTS methodology would be used for the conduct of the 2007 PTS. The Pay Trend Survey Committee (PTSC) should be re-convened immediately and the Pay Survey and Research Unit be invited to carry out the 2007 PTS in accordance with the improved methodology; and
- (b) the PTSC should conduct a review of the improved methodology, having regard to the actual experience gained as well as other relevant factors.

### ***The Commission's advice***

2.9 At the Commission meeting on 22 February 2007, we deliberated and supported the Administration's proposed improvements to the PTS methodology. We considered the Administration's proposal a step in the right direction and had struck a fine balance between the interests of civil servants and the community.

2.10 It was noteworthy that the improved PTS methodology would, for the first time, include smaller companies with 50 to 99 employees in the survey field. This expansion of the survey field could help enhance the representativeness and the credibility of the survey.

2.11 We also reaffirmed that in selecting companies for the PTS, the key was to identify steady and good employers with systematic and rational remuneration systems not using Government salary adjustment as a main factor in determining pay adjustments. It was also important to have a

sample that broadly reflected the profile of the private sector work force by economic sectors.

2.12 We tendered our advice to the Administration on 23 February 2007 (**Appendix C**). On 13 March 2007, the Secretary for the Civil Service wrote to inform the Commission that the Chief Executive-in-Council had endorsed the proposals and the conduct of the 2007 PTS based on the improved methodology.

### **Application of the Pay Level Survey Results to the Civil Service**

2.13 With the help of a consultant, the Administration completed in early 2007 a PLS using 1 April 2006 as the reference date. In March 2007, the Administration invited the Commission to advise on the Administration's proposals to apply the results of the PLS to the civil service.

#### ***The Administration's proposals***

2.14 The Administration's proposals covered the general framework for the conduct of PLS, the general framework for the application of PLS results to the civil service, and specific recommendations on the application of the results of the 2006 PLS to the civil service based on the proposed general framework. A summary of the Administration's proposals is set out as follows –

- (a) the general framework for the conduct of PLS should consist of the following key features –
  - (i) the adoption of a broadly defined job family and job level method;
  - (ii) the selection of civil service benchmark jobs in each job family and job level with comparators in the private sector;
  - (iii) the matching and comparison of civil service benchmark jobs with counterpart jobs in the private sector;
  - (iv) the selection of steady and good employers in the private sector for participation in PLS;

- (v) the collection of both basic cash and total cash compensation data from surveyed companies;
  - (vi) the adoption of the typical organisation practice approach for consolidation of data collected from surveyed companies;
  - (vii) the conduct of a PLS every six years; and
  - (viii) the continued conduct of a PTS in the year when a PLS is conducted;
- (b) those key features in the methodology of PLS which are different from that for the PTS should be reviewed before the commencement of the next PLS;
- (c) the general framework for the application of PLS results to the civil service should consist of the following key features –
- (i) the adoption of total cash compensation data for determination of the private sector and civil service pay indicators for each job level;
  - (ii) the adoption of the notional mid-point salary plus the actual average expenditure on fringe benefits paid in cash for determination of the civil service pay indicator for each job level;
  - (iii) the adoption of the 75<sup>th</sup> percentile total cash compensation data for determination of the private sector pay indicator for each job level;
  - (iv) the adoption of a plus/minus 5% as the acceptable range of difference between the civil service and private sector pay indicators for a job level. Where the difference is within this range, no downward/upward adjustment is to be made to the relevant civil service pay points. Where the difference falls outside this range, the downward/upward adjustment to the relevant civil service pay points is to be made to the upper/lower limit of the 5% range; and

- (v) the application of PLS results, as processed in accordance with items (i) to (iv) above, to all civil service pay scales on the basis of their internal relativities as at the reference date of the concerned PLS; and
- (d) the civil service pay scales should remain unchanged as a result of the 2006 PLS since the difference between the civil service and private sector pay indicators for all job levels is within the acceptable range of plus/minus 5%.

### *The Commission's advice*

2.15 We examined the Administration's proposals to apply the PLS results to the civil service at the Commission meeting on 3 April 2007. We firmly believed that the PLS should be the foundation of the pay system to determine broad comparability between civil service and private sector pay. We were pleased to note that the Administration had completed the PLS and reached broad consensus with the staff sides on the application proposals.

2.16 We tendered our advice to the Administration on 10 April 2007 (**Appendix D**). We generally considered the Administration's proposals reasonable. In our letter, we stated, among other things, that since the PLS and PTS were the key elements of the civil service pay adjustment mechanism, we saw the need for a further study to consider whether the methodologies of the PLS and PTS should be aligned. To allow sufficient time for consultation, we recommended that the study need not wait until the commencement of the next PLS.

2.17 On 24 April 2007, the Secretary for the Civil Service informed the Commission that the Chief Executive-in-Council had endorsed the general framework for the conduct of PLS, the general framework for the application of PLS results, and the application of the 2006 PLS results to the civil service as set out in paragraph 2.14 above.

### **2006 Starting Salaries Survey Findings and Application to the Civil Service**

2.18 In early 2007, the Administration completed the 2006 SSS using 1 April 2006 as the reference date with the assistance of the consultant who

conducted the PLS. In April 2007, the Administration informed the Commission of the results of the 2006 SSS and invited its views on the application.

### *The Administration's proposals*

2.19 Insofar as non-directorate civilian grades were concerned, the Administration proposed that –

- (a) the established parameters for setting benchmarks for the different qualification groups in the civil service should continue to be applied;
- (b) new benchmarks and new starting salaries should be adopted for certain qualification groups and civilian grades respectively in the light of the outcome of the just completed SSS;
- (c) the new starting salaries for both civilian and disciplined services grades should take effect on a prospective date following approval by the Finance Committee of the Legislative Council;
- (d) the normal conversion arrangement (subject to two technical measures) should be adopted for civil servants appointed to entry ranks since 1 April 2000 and are still serving in entry ranks;
- (e) an SSS should be conducted every three years; and
- (f) the delinking arrangement, under which starting salaries are not adjusted in line with the annual civil service pay adjustment, should be discontinued.

### *The Commission's advice*

2.20 We considered the Administration's proposals at the Commission meetings on 23 April and 9 May 2007. We welcomed the Administration's proposal to conduct an SSS every three years. We also reaffirmed our support for the normal conversion arrangement, which was founded on well-established principles and struck a fine balance between different interests. After deliberation, we supported the proposed application of the 2006 SSS results based on the Administration's proposal and tendered our advice to the Administration on 11 May 2007 (**Appendix E**). In our letter,

we also highlighted a few key issues emerging from the 2006 SSS that were worthy of further examination before the next SSS.

2.21 On 15 May 2007, the Secretary for the Civil Service wrote to inform the Commission that the Chief Executive-in-Council had endorsed the findings of the 2006 SSS and their application to the civil service. The proposals were subsequently approved by the Finance Committee of the Legislative Council in July 2007 and took effect from August 2007.

## **Conclusion**

2.22 The past year marks an important milestone in the development of an improved civil service pay adjustment mechanism. The Government has now set the general frameworks for the conduct of the PLS at six-yearly intervals, the triennial SSS and the annual PTS. These frameworks have laid down a solid foundation for the conduct of future PLS in a timely and regular manner, and for the consistent application of the survey findings.

2.23 The Commission believes that the PLS is the foundation of the civil service pay system to determine broad comparability between civil service and private sector pay. The PTS plays a complementary role to ensure that civil service pay is updated having regard to the year-on-year average pay movements of the private sector. The SSS ensures that civil service entry pay stays closely in line with that of the market.

## **Way Forward**

2.24 We understand that in December 2007, the Administration embarked on discussion with the staff sides on the development of an effective means for implementing upward and downward adjustments to civil service pay. The Commission looks forward to working with the Administration in this regard.



## Chapter 3

### Pay Trend Survey System

3.1 The pay trend survey (PTS) system aims to ascertain the year-on-year average movements in private sector pay. 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 in the relevant year (expressed as a percentage of the total payroll cost for each salary band) from the gross pay trend indicators (PTI) to produce the net PTI. Having regard to the net PTI derived from the PTS and other pertinent considerations, namely, the state of the economy of Hong Kong, the Government's fiscal position, changes in the cost of living, pay claims of the staff sides and civil service morale, the Chief Executive-in-Council decides on the specific rates of adjustment for civil service pay.

#### Pay Trend Survey Committee

3.2 The Pay Trend Survey Committee (PTSC) is an independent committee established by the Administration on the Commission's advice in 1983. Its Chairman and Alternate Chairman are Members of the Commission who are nominated by the Commission and appointed by the Secretary for the Civil Service. The PTSC membership comprises representatives of the Standing Committee on Disciplined Services Salaries and Conditions of Service, the Administration and the staff sides. Its composition is at **Appendix F**.

3.3 The main function of the PTSC is to commission the annual PTS, analyse the results of the survey, ensure that the agreed criteria for the interpretation of the data collected have been properly applied and agree on its results. The PTSC is the only and final authority for the conduct of the PTS. Once the findings of a PTS have been agreed, neither the PTSC nor 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. The PTSC held five meetings during 2007.

3.4 In tendering advice to the Administration on the methodology for the PTS, the Commission will, as prescribed by its terms of reference, have regard to the advice of the PTSC.

### **Pay Survey and Research Unit**

3.5 The field work of the PTS is conducted by the Pay Survey and Research Unit, which is an independent unit under the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service. The Pay Survey and Research Unit collects information from companies/organisations in the survey field as approved by the PTSC on changes in basic salary and additional payments relating to cost of living, general prosperity and company performance, general changes in market rates, inscale increments and merit during the survey period. These data are analysed to produce gross PTI for three different salary bands. The findings are then presented to the PTSC for validation and agreement.

### **2007 Pay Trend Survey**

3.6 Between 1974 and 2002, a PTS was conducted every year. The PTS was then held in abeyance pending the development of an improved civil service pay adjustment mechanism. With the approval of the Chief Executive-in-Council in March 2007, the PTS was resumed in 2007 based on an improved methodology. The PTSC was reconvened in March 2007 to oversee the conduct of the 2007 PTS.

3.7 At the commencement of the 2007 PTS, the survey field comprised 105 companies, including 82 larger companies and 23 smaller companies in the ratio of 78:22. A total of 91 companies, comprising 72 larger companies (79%) and 19 smaller companies (21%), eventually participated in the survey. The Pay Survey and Research Unit collected information on pay adjustments in these 91 companies (comprising 144 901 employees) over the twelve-month period from 2 April 2006 to 1 April 2007 and analysed the data in accordance with the improved methodology. The survey findings were released on 21 May 2007 and formally validated by the PTSC on 28 May 2007. A summary of the validated results of the survey is at **Appendix G**. Overall speaking, the 2007 PTS was completed in full compliance with the improved methodology and within an accelerated

timetable that enabled the Pay Survey and Research Unit to re-align future exercises with the normal PTS cycle.

3.8 With the approval of the Chief Executive-in-Council in June and the funding support of the Finance Committee of the Legislative Council in July 2007, the 2007-08 civil service pay adjustment took retrospective effect from 1 April 2007. The approved salary increases were 4.96% for the civil servants in the upper salary band and 4.62% for those in the middle/lower salary bands. The revised pay scales relevant to the Commission's purview, as backdated to take effect from 1 April 2007, are shown at **Appendix H**.

### **Review of Survey Methodology**

3.9 In tendering advice to the Administration on the improved methodology of the PTS in February 2007, we had suggested that after the completion of the 2007 PTS, the PTSC should conduct a comprehensive review of the methodology particularly on the newly introduced improvements, having regard to the actual experience gained and other relevant factors.

3.10 Following the completion of the 2007 survey, the PTSC, assisted by the Pay Survey and Research Unit, completed the review of the improved methodology in September 2007 and submitted a report to the Commission in October 2007. The PTSC considered that the conduct of the 2007 PTS was smooth and the improved methodology was both reasonable and feasible. The 2008 PTS should continue to be conducted based on the improved methodology, subject to refinements in certain areas such as data collection. The key recommendations of the PTSC are summarised at Annex A to **Appendix I**.

3.11 At the Commission meeting in November 2007, we considered the PTSC's review report, the minutes of the relevant PTSC meeting as well as the views of the staff sides as presented in other relevant documents. In view of the smooth implementation in 2007 and the fact that the improved methodology had only been implemented for a year, we agreed that the improved methodology should continue to be adopted for the 2008 PTS, except for a technical refinement of data collection as set out below –

- (a) the existing three-salary band system will be maintained for data consolidation and calculations of PTI; and

- (b) a five-salary band system, as adapted from the pay level survey (PLS), will be used for collection of survey information. Under the new arrangement –
  - (i) the lower salary band of the PTS will be kept intact whereas the middle and upper salary bands will each be sub-divided into two bands;
  - (ii) the two middle salary bands will be from Master Pay Scale (MPS) Points 10 to 23 and from above MPS Point 23 to Point 33; and
  - (iii) the two upper salary bands will be from above MPS Point 33 to Point 44, and from above MPS Point 44 to General Disciplined Services (Officer) Pay Scale Point 38.

3.12 We hope the additional data collected in the course of the PTS would help shed light on whether, and if so, how to align the methodologies of the PTS and the PLS.

3.13 A copy of our letter dated 20 November 2007 tendering advice to the Administration on the review of the improved methodology is reproduced at **Appendix I**. In its reply to the Commission, the Administration has accepted in full our advice.

3.14 At its meeting in December 2007, the PTSC agreed that the survey questionnaire should be refined to take account of the adoption of the five-band system for data collection and comments received from the participating companies, as recommended in the PTSC's review report.

### **Review of Survey Field for the 2008 Pay Trend Survey**

3.15 As part of its review on the methodology of the PTS, the PTSC agreed that the survey field for the 2008 PTS should have a reasonable balance of companies with different establishment sizes within the approved ratio of 75:25 between larger companies and smaller companies. It also agreed that efforts should be made to bring the ratio of larger and smaller companies closer to the approved ratio. These would help enhance the credibility and representativeness of the PTS.

3.16 At its meeting in December 2007, the PTSC agreed to commission the Pay Survey and Research Unit to undertake the 2008 PTS between January and early May 2008. The PTSC endorsed a survey field of 120 companies, including 89 larger companies and 31 smaller companies in the distribution of 74% to 26%, for the 2008 PTS.



## **Chapter 4**

### **Individual Submission, Informal Meetings with Civil Service Staff Bodies and Other Activities**

4.1 During the year, the Commission tendered advice on the Administration's proposals to refine the review and monitoring mechanism for Job-related Allowances (JRA) for civilian grades. The Commission also met with representatives of major civil service staff bodies to keep abreast of issues of topical concern to staff. A brief account of these activities is set out in this Chapter.

#### **Job-related Allowances Review and Monitoring Mechanism for Civilian Grades**

4.2 At the invitation of the Administration, the Commission conducted a review of JRA in respect of the civilian grades in 1999-2000. Our findings and recommendations were published in Report No. 38 in June 2000. Taking account of the views expressed by staff representatives, departmental management and the Legislative Council Panel on Public Service, the Administration decided in November 2002 to implement the recommendations in Report No. 38 and completed a comprehensive review of all the JRA payable to civilian grades by February 2005. Following the first comprehensive review, the Administration had implemented a series of proposals regarding the abolition of outdated JRA, reduction in the rates of some JRA and tightening up of the payment of JRA where appropriate.

4.3 In April 2007, the Administration informed the Commission that it had recently completed the second comprehensive review of individual JRA. It also sought the Commission's advice on the proposals to refine the review and monitoring mechanism for JRA for civilian grades. The Administration's proposals are summarised as follows –

- (a) the interval for regular comprehensive reviews should be extended from the current two years, as proposed by the Commission, to five years;

- (b) JRA payments should be kept under close monitoring in the intervening years by requiring the Heads of Departments to continue to set the quota for payment of the JRA; and
- (c) the Civil Service Bureau should continue to be the central monitoring authority, including scrutinising annual returns from departments, approving JRA, ensuring service-wide consistency, conducting ad hoc review, and amending/withdrawing the approval for any JRA.

4.4 At the Commission's meeting on 23 April 2007, we noted the findings of the second comprehensive review and expressed support for the Administration's proposals. Our decision was conveyed to the Deputy Secretary for the Civil Service in a letter dated 24 April 2007 (**Appendix J**). We understand that the new arrangement came into effect in May 2007.

### **Liaison with Major Civil Service Staff Bodies**

4.5 Since 1992, we have held regular informal meetings with the Staff Sides of the Senior Civil Service Council (SCSC) and the Model Scale 1 Staff Consultative Council (MOD 1 Council), the two central consultative councils of the Government in respect of the civilian grades. The Staff Side of the SCSC is made up of the Association of Expatriate Civil Servants of Hong Kong (AECS), the Hong Kong Senior Government Officers Association (HKSGOA) 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 unions not represented on the SCSC, viz. the Government Employees Association (GEA), the Hong Kong Civil Servants General Union (HKCSGU), and the Hong Kong Federation of Civil Service Unions (HKFCSU). These meetings have proven to be very useful in keeping the Commission apprised of issues of topical concern to civil servants.

4.6 The informal meetings in 2007 were held in December. We invited the SCSC, the MOD 1 Council and the three major confederation-type unions to separate meetings. On this occasion, the AECS was unable to attend because of other commitments. It invited the HKSGOA to express its views on its behalf. The HKCCSA, whom the Commission met in March 2007 as part of the 2006 round of informal meetings, proposed to defer the meeting to a future date. As a result, three informal meetings were held to



meet with the HKSGOA of the SCSC, the Staff Side of the MOD 1 Council as well as the three service-wide staff bodies, i.e. the GEA, the HKCSGU and the HKFCSU.

4.7 On pay-related issue, we exchanged views with the staff bodies on the conversion arrangement adopted in the 2006 Starting Salaries Survey. Some staff representatives considered that the normal conversion arrangement had not taken into account the years of service of those civil servants appointed to the entry ranks on or after 1 April 2000 and continued to serve on these ranks. We noted their view and explained to them that the normal conversion arrangement, which was established by the Commission in 1979 and reaffirmed in subsequent reviews, had struck a fine balance between different interests. In supporting the normal conversion arrangement, the Commission stressed that the well-established mechanism already allowed some flexibility for special conversion arrangements to cater for special circumstances such as when it was considered justified to give incremental credit to recruits with relevant previous experience.

4.8 We noted their concerns about the revised arrangements for the granting of Incremental Credit for Experience that took effect from November 2007. We had also been apprised of progress concerning the development of the improved civil service pay adjustment mechanism, and the proposed conversion of MOD 1 staff from Category B to Category A status. Regarding medical and dental benefits, the staff bodies felt that the standard of service delivered to civil servants was dropping. We noted that they had been discussing the issue with the Administration and the latter would continue to liaise with the Hospital Authority and the Department of Health to explore possible measures to improve the medical care for civil servants and other eligible persons. We also exchanged views with the staff bodies on the need to review the qualification benchmark system in a timely manner given the introduction of the “3-3-4” education system in 2012.

4.9 Among other issues raised, the staff bodies expressed a common concern about staff succession arising from the recruitment freeze, the voluntary retirement scheme and the employment of non-civil service contract staff scheme. Some staff bodies also suggested that the Government could consider reviewing the prevailing “3+3” appointment system, say by reducing the duration of probationary period.

4.10 We found the exchange of views with the staff bodies very useful. Their views were also conveyed to the Administration for consideration and follow-up as appropriate.

## **Other Activities**

### ***Liaison with interested private sector organisations***

4.11 In the course of the year, the Commission and the Joint Secretariat maintained contact with major interested private sector organisations. The aim was to keep track of developments in the private sector and where appropriate, to make use of the opportunity to exchange views on civil service pay, conditions of service and pay trend surveys. We have asked the Secretary General to continue her effort in 2008.

### ***2007 grade structure review for selected non-directorate civilian grades***

4.12 The Administration announced in the Policy Agenda of the 2007-08 Policy Address the conduct of grade structure review (GSR) for selected civilian grades facing recruitment and retention difficulties. At its meeting on 3 December 2007, the Commission discussed the general approach for the conduct of the GSR.

4.13 On 20 December 2007, the Secretary for the Civil Service wrote to the Commission inviting it to conduct GSR for the Government Counsel grade and the related Legal Aid Counsel grade and Solicitor grade, as well as the Veterinary Officer grade. The Administration requested the Commission to submit its findings and recommendations to the Chief Executive around September/October 2008. The Commission accepted the invitation on 21 December 2007 and will carry out the GSR in the coming year.

## **Chapter 5**

### **Future Programme of Work**

5.1 As indicated in Chapter 4, the grade structure review for selected non-directorate civilian grades will be a major commitment for the Commission in the first three quarters of 2008. From January to June, the Commission will be engaged in meetings with the departmental management as well as the staff sides/associations of the grades concerned and detailed examination of submissions. Thereafter, the Commission will formulate its recommendations for submission to the Chief Executive by October, as set out in the Administration's invitation.

5.2 Following the 2006 Starting Salaries Survey, the Government has made known its intention to review starting salaries at three-yearly intervals. We have been advised by the Administration that the Government intends to seek the Commission's assistance and advice on the next review probably towards the end of 2008.

5.3 We understand that in view of the implementation of the "3-3-4" new academic structure for secondary and tertiary education and the introduction of the Hong Kong Diploma of Secondary Education Examination in 2012 which will replace the Hong Kong Certificate of Education Examination (HKCEE) and the Hong Kong Advanced Level Examination (HKALE), the Government will conduct a review in 2008 on the pay and appointment policies on academic qualification groupings and entry requirements which are currently pegged to the HKCEE and HKALE. In due course, the Administration will seek the Commission's advice on proposals where appropriate.

5.4 We shall continue to carry out our responsibilities under the Commission's terms of reference and 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 also keep the methodology of the pay trend survey under review to ensure that the data collected are as credible as possible.

5.5 As in the past, we shall maintain our contact with major civil service staff bodies and private sector organisations to ensure that we keep abreast of developments relating to the discharge of our duties and responsibilities.

## **Standing Commission on Civil Service Salaries and Conditions of Service**

### **Terms of Reference**

I. To advise and make recommendations to the Chief Executive in respect of the non-Directorate Civil Service, other than the Judiciary and the Disciplined Services, on :

- (a) the principles and practices governing grade, rank and salary structure;
- (b) the salary and structure of individual grades;
- (c) whether overall reviews of pay scales (as opposed to reviews of the salary of individual grades) should continue to be based on surveys of pay trends in the private sector conducted by the Pay Survey and Research Unit, or whether some other mechanisms should be substituted;
- (d) the methodology for surveys of pay trends in the private sector conducted by the Pay Survey and Research Unit, subject to advice under I(c) and having regard to the advice of the Pay Trend Survey Committee;
- (e) matters relating to those benefits, other than salary, which the Commission advises as being relevant to the determination of the civil service remuneration package, including the introduction of new benefits or proposed changes to existing benefits;
- (f) suitable procedures and machinery to enable staff associations and staff to discuss with management their views on matters within the terms of reference of the Commission;
- (g) the circumstances in which it would be appropriate for the Commission itself to consider any issue, and how staff associations and management might present their views to the Commission in such circumstances; and
- (h) such matters as the Chief Executive may refer to the Commission.

II. The Commission shall keep the matters within its terms of reference under continuing review, and recommend to the Chief Executive any necessary changes.

III. The Commission shall give due weight to any wider community interest, including financial and economic considerations, which in its view are relevant.

IV. The Commission shall give due weight to the need for good staff relations within the Civil Service, and in tendering its advice shall be free to make any recommendations which would contribute to this end.

V. In considering its recommendations and advice, the Commission shall not prejudice the 1968 Agreement between the Government of the Hong Kong Special Administrative Region and the Main Staff Associations (1998 Adapted Version).

VI. The staff associations making up the Staff Side of the Senior Civil Service Council and the Model Scale 1 Staff Consultative Council may jointly or individually refer matters relating to civil service salaries or conditions of service to the Commission.

VII. The heads of departments may refer matters relating to the structure, salaries or conditions of service of individual grades to the Commission.

VIII. The Commission shall not consider cases of individual officers.

IX. The Commission may wish to consider in the light of experience whether changes in its composition or role are desirable.

X. In carrying out its terms of reference, the Commission should ensure that adequate opportunities are provided for staff associations and management to express their views. The Commission may also receive views from other bodies which in its view have a direct interest.

**Membership of the Commission in 2007**

**Chairman**

Mr Nicky Lo Kar-chun, JP

**Members**

Professor the Hon Anthony Cheung Bing-leung, BBS, JP

Ms Virginia Choi Wai-kam

Professor Ho Lok-sang

Mr Mark Lettenbichler

Mrs Eleanor Ling Lee Ching-man, SBS, JP

Mr Andy Lo Kwong-shing

Mr Mak Ping-on

The Honourable Howard Young, SBS, JP



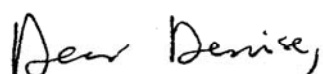


**公務員薪俸及服務條件常務委員會**  
**Standing Commission on Civil Service Salaries and Conditions of Service**

本會檔號 Our Ref. : JS/SC6/PIU/10 (13)  
尊函檔號 Your Ref. : CSBCR/PG/4-030-002/4-1 Pt. 12

23 February 2007

Miss Denise Yue, GBS, JP  
Secretary for the Civil Service  
10<sup>th</sup> Floor, West Wing  
Central Government Offices  
11 Ice House Street  
Central  
Hong Kong



**Improvements to the Methodology of the Pay Trend Survey**

The Standing Commission (SC) has considered the Administration's proposed improvements to the methodology of the Pay Trend Survey (PTS) as set out in paper attached to the letter of 9 February 2007. I am writing on behalf of the SC to offer our advice under Clause 1(d) of our terms of reference.

**General principles**

As mentioned in the Report of the Task Force on Review of Civil Service Pay Policy and System (the Task Force), the Commission firmly believes that the pay level survey (PLS) should be the foundation of the pay system to determine broad comparability of civil service pay with the private sector. The PTS plays a complementary role to ensure that the civil service pay is updated having regard to pay movements in interim period between PLSs. Hence, PTS methodology and system have to be consistent with that of the PLS framework.

The Administration's proposal to improve the PTS methodology is the first step to resume the PTS system to capture the private sector pay movements in 2006-07 since the reference date of the latest PLS (i.e. 1 April 2006). We note that the Administration recognizes the need to consider further refinement for future PTS.

## **Proposed improvements to the PTS methodology**

### ***Overall comments***

We are pleased to note that, in taking forward the review on the PTS methodology, the Administration has taken into account the recommendations made by the Task Force and conducted extensive consultation with staff. The SC welcomes the resumption of the PTS system, which has been a key part of the established mechanism well accepted by parties concerned to determine civil service pay. The SC also welcomes the proposal to improve the representation of the PTS survey field by the inclusion of smaller companies, which no doubt would enhance its credibility. We note that some of the previous criticisms of the PTS methodology were due in part to the lack of PLS to ensure broad comparability. Given the context set out above, we consider the Administration's proposal a step in the right direction and has struck a fine balance between the interests of civil servants and the community. We therefore express our endorsement and support.

### ***Selection of smaller companies for inclusion in PTS***

As mentioned above, we strongly support the proposal to include smaller companies with 50-99 employees in future PTS. Since the majority of the working population in Hong Kong work for companies with less than 100 employees, the proposal will go a long way to enhancing the representation and hence credibility of the PTS.

In selecting companies for the PTS, the key is to identify steady and good employers with systematic and rational remuneration systems not using Government salary adjustment as a main factor in determining pay adjustments. These companies should also determine pay on the basis of factors and considerations applying to Hong Kong, rather than factors applying outside Hong Kong. These principles should be applied to all companies, big or small. However, some flexibility should be allowed in

the selection process. Whilst we consider the proposed guidelines as set out in paragraph 5(a) to (d) generally reasonable, the Pay Trend Survey Committee (PTSC), which is a tripartite committee comprising representatives of the Administration, the staff sides and members of the advisory bodies, should be given the authority to decide how the proposed principles and guidelines should be applied to include or exclude a particular company.

We believe that it is of pivotal importance to have a sample that broadly reflects the profile of the private sector work force by economic sectors. The inclusion of smaller companies will help address the problem about under-representation of certain sectors such as the “Wholesale, Retail and Import/Export” sector.

### ***Share of smaller companies in PTS survey field***

Given the current distribution of employees among companies employing 50 persons or above, we consider it reasonable to apportion the share of smaller companies (with 50-99 employees) and bigger companies (with 100 or more employees) in the PTS survey field to be around 25% and 75% respectively with a deviation of around plus/minus 5%. Some flexibility is necessary to facilitate the smooth conduct of the PTS.

### ***Data consolidation methodology***

The Administration proposes that a modified weighted average approach be adopted to consolidate the pay data obtained from the surveyed private sector companies by using the gross-up factors of 0.25 for companies with less than 100 staff and 0.75 for those with 100 or more staff. We appreciate the need for the proposed data consolidation mechanism to ensure that data from smaller companies with 50-99 employees are suitably represented. However, we recommend that further refinement be considered in future to ensure that all segments of surveyed companies, such as medium-size companies with 100-499 employees, are also suitably represented in the compilation of the Pay Trend Indicators. Furthermore, we suggest that in the longer term a review should be carried out to compare the current approach with other alternatives such as the unweighted organization method proposed by the Phase One Consultant for adoption in the latest PLS.

### **Existing features of the PTS to be maintained**

We support the proposal to maintain the existing features of the PTS methodology. However, we recommend that the calculation criteria should be kept under regular review to enhance accuracy where possible. For instance, future refinement should be considered to take account of bonus payment as a percentage of salary, as one month's bonus is not strictly equal to 8.33% of the annual basic salary when multi-months of bonus may be paid from time to time.

### **Institutional arrangements and the 2007 PTS**

We support the proposal to maintain the existing institutional arrangement for the conduct of the PTS. We also agree that the PTSC be re-convened immediately and the Pay Survey and Research Unit (PSRU) be asked to carry out the 2007 PTS in accordance with the improved methodology subject to the endorsement of the Chief Executive-in-Council. The Commission is ready to nominate two representatives to the PTSC as Chairman and Alternate Chairman as and when invited by the Administration. Noting the extremely tight timeframe for the 2007 PTS, we urge the Administration to provide all the necessary resources to reconstitute the PSRU as a matter of priority. Whilst the Commission will render its full support to the PTSC, the smooth conduct of the PTS hinges on a lot of factors beyond the Commission's control, notably the co-operation of all relevant parties including the staff side and the surveyed companies.

### **Further improvements**

After the completion of the 2007 PTS, the Commission will ask the PTSC to conduct a comprehensive review of the methodology particularly on the newly introduced improvements, having regard to the actual experience gained and other relevant factors.

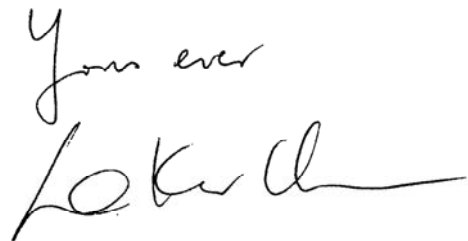
### **Other issue**

As a separate but related issue, we would like to stress that the pay trend survey indicators as derived from the PTS should only be one of the factors to be taken into account in determining the level of annual pay

adjustment. We note that the Administration will consider the pay trend indicators, alongside five other relevant considerations such as state of the economy, budgetary considerations, changes in cost of living, pay claims of the staff side and civil service morale. In this regard, we consider that the Administration should also take into account the findings of the latest PLS and any conclusions reached regarding the application of its results in determining the magnitude of the annual civil service pay adjustment.

### **Conclusion**

In conclusion, we support the proposed improvements to the methodology of the PTS. We would be pleased to work with the Administration and the PTSC to implement the improved measures and keep them under review.

A handwritten signature in black ink, consisting of the words "Yours ever" written in a cursive style above a more stylized signature that appears to be "Lo".

( Nicky Lo )  
Chairman



**公務員薪俸及服務條件常務委員會**  
**Standing Commission on Civil Service Salaries and Conditions of Service**

本會檔號 Our Ref. : JS/SC7/COM/27 (IV)  
尊函檔號 Your Ref. : CSBCR/PG/4-085-001/37

10 April 2007

Miss Denise Yue, GBS, JP  
Secretary for the Civil Service  
10<sup>th</sup> Floor, West Wing  
Central Government Offices  
11 Ice House Street  
Central  
Hong Kong

*Dear Denise,*

**Application of the Pay Level Survey Results to the Civil Service**

The Standing Commission (SC) has considered the Administration's proposals to apply the results of the Pay Level Survey (PLS) to the civil service as set out in paper attached to the letter of 23 March 2007. I am writing on behalf of the SC to offer our advice under Clause 1(c) of our terms of reference.

**General comment**

As mentioned in our letter of 23 February 2007, the Commission firmly believes that the pay level survey (PLS) should be the foundation of the pay system to determine broad comparability between civil service and private sector pay. The Pay Trend Survey (PTS) plays a complementary role to ensure that the civil service pay is updated having regard to the year-on-year pay movements. We are pleased to note that the Administration has completed the PLS and reached broad consensus with the staff sides on the application proposals. We would like to confirm our support for the proposals.

## **Framework for the conduct of PLSs**

### ***Methodology***

Given the inherent difference between many civil service and private sector jobs, the proposed broadly defined job family and job level method seems to be the most practical and reasonable way forward for a service wide PLS. We note that this approach has generally worked well in the recent PLS and we support the proposal to adopt the same method for future PLSs.

Since PLS and PTS are the key elements of the civil service pay adjustment mechanism, we see the need for a further study to consider whether the methodologies of the PLS and PTS should be aligned. In this connection, the Pay Trend Survey Committee (PTSC) will conduct a review of the PTS methodology after the completion of the 2007 PTS and present its findings and recommendations to the Commission and the Administration in due course. We hope that the findings of this review will facilitate a further study to see whether, and if so how, the PLS or PTS methodology should be refined in terms of the survey field, demarcation of job levels and data consolidation method. To allow sufficient time for consultation, we recommend the latter review need not wait until the commencement of the next PLS.

### ***Frequency of conduct of PLSs***

We fully support that PLS should be carried out regularly to determine broad comparability of civil service pay with the private sector. We support the proposed frequency of conducting PLS once every six years, as this strikes a reasonable balance between the need for having frequently updated pay comparison data and the commitment of considerable resources and time to a major PLS exercise. The proposed six-year interval would also enable the Administration to allocate some resources to the conduct of grade structure reviews to address issues on specific ranks and grades, which the general PLS cannot address fully.



Given the importance of the PLS exercise, we recommend that early consideration be given to setting a time frame and work programme to ensure that PLS can be conducted in a smooth and timely manner, having regard to the need for updating job descriptions and, most importantly, allowing adequate opportunities for staff consultation and involvement.

We support the conduct of PTS even in the year when a PLS is carried out. This will enable us to keep track of the private sector pay movements on a continuous basis. That said, we wish to underline that the application of the results of the PLS for that year should be the principal determinant for any civil service pay adjustment for the year.

### **Framework for Application of PLS Results to the Civil Service**

We reaffirm our support for adopting the upper quartile (P75) as the reference point. This is consistent with the well-established policy adopted in the 1986 PLS, the 1989 Salary Structure Review and the 1999 Starting Salaries Review conducted by the SC. It is also in line with the general objective that the Government should be a good employer and civil service pay should be compared with the better paying jobs in the private sector.

We also consider it reasonable to use the total cash compensation as the reference for comparison as it has the widest coverage with full set of quantifiable data. It is also in line with the private sector practices of using total compensation approach. We support the proposal to adopt the notional mid-point salary of civil service plus the actual expenditure on fringe benefits paid in cash for comparison purpose. This approach will reduce the likelihood of undue influence by the age and seniority profile of the civil service at a particular point in time.

In line with the principle of maintaining broad comparability between civil service and private sector pay, we support the Administration's proposal that pay scale of a specific job level should not be adjusted if the relevant civil service pay indicator is within an acceptable range of difference of plus/minus 5%.

## **Application to disciplined services and directorate grades**

In accordance with the SC's terms of reference, we would only advise on issues in respect of the non-directorate civil service, other than judicial officers and disciplined services staff. Hence, we only note the proposals presented in paragraph 15 of the Civil Service Bureau's paper on the application of the PLS results to the disciplined services and the directorate grades.

## **2006 PLS**

We note from the results of the 2006 PLS that the civil service pay indicator for all the five job levels fall within the proposed acceptable range of difference of plus/minus 5% of the market pay indicator. In supporting the principle of broad comparability, we agree that no adjustment should be made to the civil service pay scales as at 1 April 2006.


Whilst the recent PLS does not call for any immediate upward and downward adjustment, we trust that the Administration will look further into the details of the mechanism for upward or downward adjustment should future PLSs produce differences in pay indicators outside the acceptable range. We would like to stress that any such adjustment mechanism, and ancillary transitional or conversion arrangements, will need to be carefully worked out and implemented, taking into account all relevant factors including the service wide implications, staff morale and stability of the civil service.

## **The next step**

The Administration has mentioned earlier that grade structure reviews would be carried out for those civil service grades that have significant changes in their job nature and requirements. We trust that the Administration would also give priority to those grades with recruitment and retention difficulties. We would be pleased to work with the Administration in this regard.

## **Conclusion**

In conclusion, we support the proposals as set out in the above paragraphs. We would be pleased to work with the Administration to ensure that civil servants are remunerated at a level which is sufficient to retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service, and that the civil service remuneration is regarded as fair by both civil servants and the public they serve.

*Yours Sincerely*  


( Nicky Lo )  
Chairman



公務員薪俸及服務條件常務委員會  
Standing Commission on Civil Service Salaries and Conditions of Service

本會檔號 Our Ref. : JS/SC7/COM/25 (5)  
尊函檔號 Your Ref. : CSBCR/PG/4-085-001/37

11 May 2007

Miss Denise Yue, GBS, JP  
Secretary for the Civil Service  
10<sup>th</sup> Floor, West Wing  
Central Government Offices  
11 Ice House Street  
Central  
Hong Kong

*Dear Denise,*

**2006 Starting Salaries Survey Findings and  
Application to the Civil Service**

Thank you for your letter of 19 April 2007 seeking our advice on the proposals to apply the results of the 2006 Starting Salaries Survey to the civil service. We are grateful to you for the comprehensive briefings on this subject on 23 April and 9 May 2007. The Standing Commission (SC) has considered the Administration's proposals. I am writing on behalf of the SC to offer our advice under Clause 1(c) of our terms of reference.

**Starting Salaries Survey**

The SC firmly believes that the Starting Salaries Survey (SSS) is an important tool to enable the Government to offer remuneration sufficient to attract staff of a suitable calibre to provide the public with an effective and

efficient service. To ensure that the starting salaries are regarded as fair by both the civil servants and by the public they serve, SSS should be conducted reasonably frequently to keep track of market movements. We therefore support your recommendation to conduct SSS at 3-yearly intervals counting from 1 April 2006 which is the reference date for the just completed SSS.

Coupled with the regular conduct of a Pay Level Survey (PLS) and the conduct of annual Pay Trend Survey (PTS) using an improved methodology, SSS plays an important role in ensuring broad pay comparability with the private sector. Similar to PLS and PTS, it is desirable to institutionalise the conduct of SSS and the mechanism for the application of SSS results. With the above, the improved mechanism will then be established as the framework for the future conduct of pay surveys and their applications to the civil service regardless of the economic situation.

### **The 2006 SSS**

Having compared the 2006 SSS conducted by the Administration and the 1999 SSS conducted by the Commission, we note the differences between the two in terms of sample size (56 vs 133 participating companies), job samples (1 590 vs 4 945 job samples), distribution of companies by economic sector, methodology and consultation process. You have assured us that you are satisfied with the Consultant's assessment that the sample and the methodology for the 2006 SSS are appropriate for its purpose.

We support your recommendation that the new starting salaries should take effect prospectively. We will defer to the Administration's decision on the exact timing for implementation.

### **Conversion Arrangements**

On conversion arrangements, the overriding principle established by the SC is that no serving staff should receive less pay on conversion to

the new scale. We support the adoption of the normal conversion arrangement which was established by the SC since 1979 and reaffirmed in subsequent reviews. This arrangement has struck a fine balance between different interests. We remain of the view that the full conversion arrangement would be too generous.

It is noteworthy that in implementing the results of the 1999 SSS, the Administration introduced grandfathering arrangements for serving civil servants in entry ranks by leaving their salaries intact even though the benchmarks for some QGs were reduced. In the current SSS, strong justifications will be necessary if one is to deviate from the normal conversion arrangements to adopt the full conversion arrangement such that serving civil servants at entry ranks would enjoy in full the benefits of an increase in starting salaries.

In supporting the normal conversion arrangement, we would like to stress that the well-established mechanism already allows some flexibility for "special conversion arrangements" to cater for special circumstances such as when it is considered justified to give incremental credit to recruits with relevant previous experience. Recognising the special circumstances of certain grades, it is for the Administration to draw up special conversion arrangements for these cases should circumstances so warrant.

### **Teaching Grades**

You have advised that the Teaching grades are unique because of the general award of Incremental Award for Qualification given to those acquiring the Post-graduate Certificate in Education (PGCE) plus a barring arrangement for failure to acquire the PGCE. Recognising the special feature of the Teaching grades, we support your recommendation that additional pay point(s) should, on a one-off basis, be granted to affected serving teachers in both government and aided schools on top of the normal conversion arrangement upon the implementation of the higher starting salaries.

We support your proposal to adopt the “carry-forward arrangement” for Teaching grades, as the arrangement was approved by the Chief Executive-in-Council and adopted in implementing the 1999 SSS results.

### **Delinking Arrangement**

In view of the recommendation to conduct a SSS at a shorter interval of three years and the fact that the introduction of the reference pay scales has complicated the administration of the civil service pay system, we support that the delinking arrangement should be discontinued upon the implementation of the new starting salaries.

### **Application to the Disciplined Services and Directorate Grades**

In accordance with the SC’s terms of reference, we would only advise on issues in respect of the civilian grades, other than the disciplined services and directorate grades. Hence, we only note the proposals presented in paragraph 36 of the Civil Service Bureau’s paper on the application of the 2006 SSS results to the disciplined services.

### **Issues for Further Examination**

As in the 1999 SSS, we have identified the following key issues emerging from the 2006 SSS which we think are worthy of further examination.

#### ***Third Quartile of Private Sector Pay***

We note that 2006 SSS is based on the third quartile (i.e. P75) of the total cash compensation of the relevant private sector pay for similar educational qualification. We understand that this is in keeping with past practices including the 2006 PLS and the 1999 SSS. This also accords with the general objective that the Government should be a good employer and,



hence, civil service pay should be measured against the better paying private sector jobs. Whilst recognising the need to attract people of a suitable caliber to join the civil service, the SC is concerned about the blanket use of P75 of private sector pay with comparable civil service benchmark jobs at all levels including the entry ranks. In our report on the 1999 SSS (Report No. 36), we recommended a re-examination of this practice, having regard to concerns about their being on the high side and their possible inflationary effect on civil service pay as a whole. Having considered the findings of the 2006 SSS and private sector practices since 1999, we believe that our earlier recommendation should be brought up for attention again.

Considering that the Government could well be the major employer in some sectors at the entry rank level, we should be mindful of the possible inflationary effect of this practice on entry pay for the community as a whole. On the other hand, as competition for talent intensifies, the differential in starting pay is widening, particularly in certain fast-developing economic sectors. To ensure that the Government can attract people of the right caliber for certain entry ranks, it may well be more effective to determine starting pay by reviewing the existing classification of qualification groups (QGs) and the special job factors of individual grades/ranks to cater for different circumstances. Indeed, it is common for the private sector to take into account different factors in determining the starting salaries and the pay above entry level. The Government may study the good practices in the private sector and consider whether and how they can be applied to the civil service.

### ***Qualification Groups System***


Whilst noting that the 2006 SSS was founded on the long-established QG system and that data could only be successfully collected for six QGs out of 12 QGs, we also notice that some QGs are "obsolete" as they are no longer used in private sector recruitment exercises. Coupled with the introduction of the 3-3-4 education system, Members consider that the QG classification should be reviewed before the next SSS.

### ***Internal Relativities***

As a related issue, we note that the number of QGs with valid results covered in the last two SSSs decreases from 10 out of 16 in 1999 to 6 out of 12 in 2006. We also notice that the benchmarks for six QGs (either not covered in the recent SSS or do not have enough private sector entry pay data) are derived through the existing internal relativities among the QGs. Whilst recognising that this practice is in line with that for the 1999 SSS, we consider it not entirely satisfactory to adopt the existing internal relativities to derive benchmark pays for the QGs, particularly because some QGs have become “obsolete” and the existing relativities have not been reviewed for a long time. In this regard, it would be useful if the Administration could consider reviewing the internal relativities taking account of the quantitative data and qualitative assessment obtained from the 2006 SSS.

### **The Next Step**

The SC believes that the more fundamental solution to help the grades with recruitment and retention difficulties (e.g. the Government Counsel grade) is a revision of their pay structures through the conduct of specific grade reviews. The Administration has mentioned earlier that such reviews would be carried out for those civil service grades that have significant changes in their job nature and requirements in the fourth quarter of 2007. We look forward to working with the Administration in this regard.

*Yours Sincerely*  


( Nicky Lo )  
Chairman

## Composition of the Pay Trend Survey Committee

### Members

Two Members of the Standing Commission on Civil Service Salaries and Conditions of Service, one as Chairman and the other as Alternate Chairman

Up to two Representatives of the Standing Committee on Disciplined Services Salaries and Conditions of Service

Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service

Two Representatives of the Administration

Three Staff Side Representatives of the Senior Civil Service Council

Three Staff Side Representatives of the Model Scale 1 Staff Consultative Council

Two Staff Side Representatives of the Police Force Council

Two Staff Side Representatives of the Disciplined Services Consultative Council

### Observers

Three Staff Side Representatives of the Senior Civil Service Council

Three Staff Side Representatives of the Model Scale 1 Staff Consultative Council

A Management Side and two Staff Side Representatives of the Police Force Council

Three Staff Side Representatives of the Disciplined Services Consultative Council



## Summary of the 2007 Pay Trend Survey

### Introduction

Pay trend surveys (PTS) yield information on the general movements of pay in the private sector over a given period. They are not concerned with the comparison of pay levels for specific occupational groups. Prior to 1983, PTS were undertaken by the then Pay Investigation Unit, under the auspices of a Steering Committee of the Senior Civil Service Council. The Pay Survey and Research Unit was established in December 1982 and the Pay Trend Survey Committee (PTSC) shortly after. The 2007 survey following the improved methodology endorsed by the Chief Executive-in-Council in March 2007, was the 30<sup>th</sup> of its kind.

### Survey Period

2. The survey covered a 12-month period from 2 April 2006 to 1 April 2007.

### Participating Companies

3. Of the 105 companies in the survey field, 91 took part in the survey including 72 larger companies and 19 smaller companies in the ratio of 79:21. The pay data of their 144 901 employees were used in the calculation of the 2007 gross pay trend indicators (PTI).

### Data Collection

4. Data collection commenced in early April 2007 and ended in mid May 2007. Questionnaires were sent to participating companies for completion. The staff of the Pay Survey and Research Unit followed up by field visits or telephone discussions. The companies were asked to provide data on changes in basic salaries and additional payments other than those relating to fringe benefits.

5. In order to identify any variation in salary adjustments made to staff at different levels, the companies were requested to provide information on salary adjustments according to three salary bands, namely, below \$14,330 per month, \$14,330 to \$43,940 per month and \$43,941 to \$87,430 per month. These salary bands related broadly to the civil service non-directorate pay scales of the Master Pay Scale below Point 10, Points 10 to 33, and above Point 33 respectively.

6. Information collected for the survey was recorded in individual company statements, after their accuracy had been confirmed by the company concerned. Strict confidentiality was observed in the handling of company data which were made non-attributable in survey reports, so as to preserve the anonymity of the participating companies.

### **Survey Findings**

7. The Pay Survey and Research Unit analysed the company data in accordance with the approved methodology and presented its findings to the PTSC on 21 May 2007.

8. The PTSC accepted the findings of the Pay Survey and Research Unit on 28 May 2007. Taking into account only those adjustments which related to the cost of living, general prosperity and company performance, general changes in market rates, inscale increment and merit, the PTSC concluded that the following pay adjustments had been made in the surveyed companies during the period from 2 April 2006 to 1 April 2007 –

(a)	Lower Salary Band (below \$14,330 per month)	+4.28%
(b)	Middle Salary Band (\$14,330 to \$43,940 per month)	+5.24%
(c)	Upper Salary Band (\$43,941 to \$87,430 per month)	+5.59%

### **Pay Trend Indicators**

9. The above survey findings validated by the PTSC were known as the gross PTI. In accordance with the recommendations of a Committee of Inquiry in 1988, the Administration, after deducting the value of civil service

increments at their payroll cost, which were 0.37%, 0.62% and 0.63% respectively for the lower, middle and upper salary bands in 2007, arrived at the net PTI as follows –

(a)	Lower Salary Band	+3.91%
(b)	Middle Salary Band	+4.62%
(c)	Upper Salary Band	+4.96%





**Civil Service Pay Scales Relevant to the Commission's Purview  
(with effect from 1 April 2007)**

<u>Master Pay Scale</u>		<u>Model Scale 1 Pay Scale</u>		<u>Craft Apprentice Pay Scale</u>	
<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>
49	87,225	13	11,110	4	7,565
48	84,200	12	10,890	3	6,930
47	81,275	11	10,665	2	6,265
46 (44B)	78,430	10	10,460	1	5,635
45 (44A)	75,715	9	10,255	0	5,310
44	73,070	8	10,060		
43	70,525	7	9,870		
42	67,620	6	9,675		
41	64,830	5	9,480		
40	62,145	4	9,290		
39	59,580	3	9,095		
38	56,945	2	8,900		
37	54,445	1	8,710		
36 (33C)	51,990	0	8,525		
35 (33B)	49,685				
34 (33A)	47,485				
33	45,970				
32	43,905				
31	41,935				
30	40,055				
29	38,265				
28	36,535				
27	34,895				
26	33,330				
25	31,835				
24	30,445				
23	29,075				
22	27,765				
21	26,510				
20	25,250				
19	24,050				
18	22,910				
17	21,830				
16	20,780				
15	19,790				
14	18,840				
13	17,935				
12	16,910				
11	15,920				
10	14,990				
9	14,140				
8	13,280				
7	12,460				
6	11,690				
5	10,995				
4	10,300				
3	9,675				
2	9,080				
1	8,530				
0	8,030				

<u>Training Pay Scale</u>		<u>Technician Apprentice Pay Scale</u>	
<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>
16	19,740	4	9,570
15	18,795	3	8,725
14	17,895	2	7,885
13	17,110	1	7,255
12	16,060	0	6,805
11	14,725		
10	13,520		
9	12,730		
8	11,950		
7	11,220		
6	10,540		
5	9,885		
4	9,280		
3	8,725		
2	8,175		
1	7,680		



公務員薪俸及服務條件常務委員會  
Standing Commission on Civil Service Salaries and Conditions of Service

本會檔號 Our Ref. : JS/SC6/PIU/10 (14)  
尊函檔號 Your Ref. : CSBCR/PG/4-085/001/53

20 November 2007

Miss Denise Yue, GBS, JP  
Secretary for the Civil Service  
10<sup>th</sup> Floor, West Wing  
Central Government Offices  
11 Ice House Street  
Central  
Hong Kong

*Dear Denise,*

### **Review of the Improved Methodology of the Pay Trend Survey**

I am writing on behalf of the Standing Commission (SC) to offer our advice, under Clause 1(d) of our terms of reference, on the methodology for the pay trend survey (PTS) having regard to the recommendations of the Pay Trend Survey Committee (PTSC).

### **Background**

In my letter of 23 February 2007 tendering the SC's advice on improvements to the PTS methodology, I mentioned that after the completion of the 2007 PTS, the SC would ask the PTSC to conduct a comprehensive review of the methodology particularly on the newly introduced improvements, having regard to the actual experience gained and other relevant factors.

-----  
The PTSC, assisted by the Pay Survey and Research Unit, has recently completed the review and submitted a report to the SC. The key recommendations of the PTSC are summarised at **Annex A**. They were discussed at the SC meeting held on 7 November 2007. Our advice as set out in this letter has taken account of the PTSC's review report, the minutes of the relevant PTSC meeting and the views of the staff sides as expressed in their letters.

### **Overall comments**

We are pleased to note that the 2007 PTS was completed in full compliance with the improved methodology. The successful completion demonstrates that the improved methodology is feasible with the support of all parties concerned. In view of the smooth implementation in 2007 and the fact that the improved methodology has only been implemented for a year, we agree that it should continue to be adopted for the 2008 PTS.

### **Survey field**

As stated in our letter of 23 February, we strongly support the inclusion of smaller companies with 50 to 99 employees in the PTS. It represents a significant breakthrough, and will go a long way to enhancing the representation and credibility of the PTS. We are pleased to note that it was successfully implemented in the 2007 PTS. The majority of the smaller companies experienced no great difficulties in providing the required pay data. We recommend the continued inclusion of smaller companies in the 2008 PTS.

Taking into account the latest statistics on the distribution of private sector labour force by company size, the current ratio between larger companies and smaller companies (i.e. 75 : 25 with a deviation of plus/minus 5%) is still considered appropriate. We support the PTSC's recommendation that this ratio be maintained, and that the actual proportion of smaller companies in the 2008 PTS be brought closer to 25%.

Based on the distribution of private sector employees by company size, gross-up factors of 0.75 and 0.25 were applied to larger and smaller companies respectively in data consolidation. We have considered whether further refinement is necessary to cater for medium-size companies with 100 to 499 employees. In this connection, we are pleased to learn that the PTSC has endeavoured to include medium-size companies in the 2007 PTS survey field to ensure a reasonable balance of companies of different sizes. To facilitate comparability between different years, we support the PTSC's recommendation that the gross-up factors of 0.75 and 0.25 be maintained.

In selecting companies for the PTS, the key is to identify steady and good employers with systematic and rational remuneration systems. These companies should determine their pay on the basis of factors and considerations applying to Hong Kong and should not use Government salary adjustment as a main factor in determining pay adjustments. These guiding principles should continue to be applied to all the larger and smaller companies alike.

### **Alignment of the methodologies of the PTS and the pay level survey**

Under the improved civil service pay adjustment mechanism, the pay level survey (PLS) is the foundation of the pay system to determine broad comparability of civil service pay with the private sector. The PTS plays a complementary role to ensure that civil service pay is updated having regard to pay movements in the interim period between PLSs. Hence, the PTS methodology has to be compatible with that of the PLS.

### ***Salary bands***

One of the differences between the methodologies of the two surveys is the number of salary bands: the PTS is based on three salary bands whereas the PLS is based on five job levels. To explore the feasibility of aligning the methodologies, the PTSC recommends collecting data based on five salary bands as adapted from the PLS, while maintaining the existing three-band system for data consolidation and calculation of pay trend indicators (PTIs). Under this proposal, the lower

band of the PTS will be kept intact whereas the middle and upper bands will each be sub-divided into two bands. The two middle bands will be from Master Pay Scale (MPS) Points 10 to 23 and from above MPS Point 23 to Point 33. The two upper bands will be from above MPS Point 33 to Point 44, and from above MPS Point 44 to General Disciplined Services (Officer) Pay Scale Point 38. We support this proposal to refine data collection and consider it a positive and prudent step in the right direction. We hope the additional data collected would help shed light on whether, and if so, how to achieve a higher degree of convergence between the two methodologies. This arrangement will entail a refinement to the methodology as set out in **Annex B**.

### ***Weighted employee-based approach***

In data consolidation, the PTS adopts the weighted employee-based approach whereas the PLS adopts the un-weighted organisation-based approach. We note that the employee-based approach is currently used by other human resources organisations as well as by the Census and Statistics Department in surveys on wages and payroll. On the other hand, we recognise there were sound reasons for adopting the organisation-based approach for the 2006 PLS. As the improved PTS methodology has been implemented for only one year, we consider it reasonable to retain the current weighted employee-based approach for the 2008 PTS. This issue could be revisited in the context of the review of the PLS methodology.

### **Calculation of additional payment**

At present, changes in bonus are taken into account in calculation of PTIs and one month's bonus is taken as equal to 8.33% of the annual salary. The figure of 8.33% has been adopted by the PTSC as an approximation since the 1970s. The PTSC notes that the existing formula has been in use for a long time and is relatively simple and easy to understand, and recommends its use in the 2008 PTS pending a further study on the most appropriate formula. We agree that the current approach should be maintained for the 2008 PTS and encourage the PTSC to further study possible alternatives in the longer term.

## Conclusion

Except for a technical refinement as set out in paragraphs 5 and 6 of Annex B to enable collection of data using five salary bands, we recommend that the 2007 PTS methodology continue to be adopted for the 2008 PTS.

*Yours sincerely*  
*Nicky*

( Nicky Lo )  
Chairman

Encls.





**Review of Pay Trend Survey Methodology  
conducted by the Pay Trend Survey Committee (PTSC)**

**Summary of Recommendations**

**Survey Field**

- (a) The PTSC recommends the continued inclusion of smaller companies in the 2008 PTS.
- (b) The PTSC recommends maintaining the current ratio between larger companies and smaller companies (i.e. 75 : 25 with a deviation of plus/minus 5%).
- (c) To bring the proportion of smaller companies closer to 25%, the PTSC recommends short-listing more smaller companies with a view to increasing the number of smaller companies in the survey field for the 2008 Pay Trend Survey (PTS).
- (d) The PTSC does not recommend bringing in smaller companies with less than 50 staff at this stage.
- (e) The PTSC recommends making due regard to the latest distribution of labour force by economic sector in reviewing the survey field prior to the conduct of the 2008 PTS.
- (f) The PTSC recommends that the existing guidelines on selection of companies should continue to be used.
- (g) To ensure compatibility of the Pay Level Survey (PLS) and the PTS, the PTSC recommends that the survey field for the PTS should, as far as possible, take into account the survey field for the PLS.
- (h) The PTSC recommends retaining larger companies which have participated in the 2006 PLS in the 2008 PTS.
- (i) The PTSC does not recommend introducing new criteria to exclude companies with a high percentage of new staff from the survey field.

- (j) The PTSC does not recommend devising further rules to determine the autonomy of a company in setting and adjusting pay rates.
- (k) The PTSC does not recommend dispensing with the existing requirement on labour relations records.

### **Salary Bands**

- (l) The PTSC does not recommend changing the three-band system for the PTS at this stage.
- (m) To explore further the possibility of establishing a five-band system, the PTSC recommends requesting the participating companies to provide data based on the five job levels as adapted from the PLS, while maintaining the existing three-band system for data consolidation and calculation of Pay Trend Indicators (PTIs).

### **Components of Pay Adjustment**

- (n) The PTSC recommends retaining the existing components of pay adjustment in the calculation of PTIs.
- (o) The PTSC does not recommend revising the current definition of base pay.

### **Data Consolidation and Calculation Criteria**

- (p) The PTSC recommends that it should continue to ensure that the PTS survey field should have a reasonable balance of companies with different establishment sizes.
- (q) The PTSC does not recommend changing the gross-up factors of 0.25 and 0.75 and introducing any further segmentation at this stage.

- (r) Pending a further study on the most appropriate formula for calculation of adjustments in additional payments, the PTSC recommends maintaining the current approach of deeming one month's bonus as equal to 8.33% of the annual salary for the 2008 PTS.
- (s) The PTSC does not consider it a good time for adopting the method of moving average for calculation of changes in variable additional payments, and recommends retaining the current method of only calculating yearly changes.
- (t) The PTSC recommends retaining the current weighted employee-based approach for the 2008 PTS.

### **Communication with Participating Companies**

- (u) The PTSC recommends refining the survey questionnaire in the light of the feedback from participating companies.
- (v) The PTSC recommends providing the participating companies with a set of guidance notes on completion of the questionnaire. The guidance notes will give detailed explanations and examples.
- (w) The PTSC recommends revisiting the arrangement for announcement of the PTS results before releasing the 2008 survey results.

### **Other Issues**

- (x) The PTSC recommends that the Pay Survey and Research Unit should continue to make its best efforts to explain to the participating companies the objectives of the PTS and the importance of providing full data so that they will be more willing to co-operate.
- (y) The PTSC recommends maintaining the current arrangements with regard to the survey objective, survey period and coverage of employees.



## Methodology for Pay Trend Survey

### Objective

The Pay Trend Survey (PTS) is carried out to ascertain the average year-on-year movements in private sector pay. Fringe benefits, whether made in cash or in kind, do not fall within the ambit of the survey.

### Survey Period

2. The survey covers the period from 2<sup>nd</sup> April of the previous year to 1<sup>st</sup> April of the current year.

### Survey Field

#### *Distribution of companies in the survey field*

3. In selecting companies for the survey field –
  - (a) the distribution of companies by major economic sectors in the survey field should reflect closely the overall distribution of Hong Kong's economically active population.
  - (b) Around 25% of the PTS survey field should be taken up by smaller companies (i.e. those with employee number from 50 to 99) and around 75% by larger companies (i.e. those employing 100 staff and more). This apportionment is based on the distribution of the private sector labour force by these two types of company size as at September 2006<sup>1</sup>.

<sup>1</sup> According to the statistics from the Census & Statistics Department, the distribution of employees by company size (excluding those employing less than 50 staff) in the private sector as at September 2006 was as follows –

Company size	Total number of employees	Percentage (%)
50-99	247,364	24.57
100-499	317,689	31.55
500-999	111,344	11.06
1,000 or above	330,460	32.82
Total	1,006,857	100

- (c) A deviation of around plus/minus five percentage points will be allowed in the application of this general guideline (i.e. smaller and larger companies accounting for 20% to 30%, and 70% to 80% respectively of a PTS survey field). This flexibility is needed as the actual number of companies and the share between smaller and larger companies in a PTS will depend on how many smaller and larger companies agree to participate in the survey.

### **Guidelines for selection**

4. The ultimate objective is to identify good and steady employers. To this end, the following guidelines should be used in the selection –

- (a) Individual companies in the survey field should –
  - (i) be regarded as typical employers in their respective fields;
  - (ii) be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
  - (iii) determine pay on the basis of factors and considerations applying to Hong Kong, rather than factors applying outside Hong Kong;
  - (iv) if they form part of a group or consortium in Hong Kong, only be treated as separate companies where they have complete autonomy in setting and adjusting pay rates; and
  - (v) not use the government pay adjustment as the main factor in determining pay adjustments.
- (b) Only those smaller companies (with 50 to 99 employees) that meet the following guidelines should be selected –
  - (i) they have been operating in Hong Kong for a minimum period of around five years;

- (ii) their employment size has not changed by more than 50% as compared with the previous year. The focus will be put on downward change, such that smaller companies whose employment size has reduced by more than 50% will be excluded from the PTS survey field. Smaller companies whose employment size has increased by more than 50% may, if considered appropriate, be included in the PTS survey field; and
- (iii) they have not been convicted of any charges under labour-related legislation<sup>2</sup> and should preferably have not been involved in labour disputes (even though the disputes have not resulted in convictions under labour-related legislation) in the past five years.

## Salary Bands

5. Three salary bands are used for data consolidation and calculation of gross pay trend indicators (PTIs). ~~the collection of survey information.~~ They are–

- Lower band : Below Master Pay Scale (MPS) Point 10 or equivalent
- Middle band : MPS Points 10 to 33 or equivalent
- Upper band : Above MPS Point 33 to General Disciplined Services (Officer) Pay Scale (GDS(O)) Point 38 or equivalent

6. For collection of survey information, the lower band will be kept intact whereas the middle and upper bands will each be sub-divided into two bands, as detailed below –

---

<sup>2</sup> There are at present more than 20 major labour-related ordinances. The majority of prosecutions against employers for non-compliance with the law are taken by the Labour Department pursuant to the Employment Ordinance (Cap. 57), the Employees' Compensation Ordinance (Cap. 282), the Occupational Safety and Health Ordinance (Cap. 509) and the Factories and Industrial Undertakings Ordinance (Cap. 59). The Mandatory Provident Fund Schemes Authority is responsible for taking action on any non-compliance with the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

**Middle bands:**

- (a) MPS Points 10 to 23 or equivalent
- (b) Above MPS Point 23 to Point 33 or equivalent

**Upper bands:**

- (a) Above MPS Point 33 to Point 44 or equivalent
- (b) Above MPS Point 44 to GDS(O) Point 38 or equivalent

**Employees Covered**

7. The survey covers all employees in the participating companies with the exception of –

- (a) employees whose basic salaries are above the dollar term of GDS(O) Point 38 or equivalent;
- (b) craft and technician apprentices;
- (c) part-time employees who are certified by the surveyed company to work less than 75% of the normal weekly working hours in that company;
- (d) employees remunerated at piece-rates;
- (e) all imported labour; and
- (f) employees whose pay is determined on the basis of factors and considerations other than those applying to Hong Kong.

**Components of Pay Adjustment**

8. Salary adjustments awarded to employees on account of the following factors are included in the calculation of the PTIs –

- (a) cost of living;
- (b) general prosperity and company performance;
- (c) general changes in market rates; and
- (d) inscale increment and merit.



9. Changes in payments additional to basic salary such as year-end bonuses are also included.

10. Salary adjustments attributed to external and internal relativities are identified and reported for reference. They are excluded from the calculation of the PTIs. (Note: Adjustments due to external relativities refer to those given to a specific group of employees in a company as a result of salaries paid by other companies for a similar job.)

### **Calculation Criteria**

11. The following criteria will be used for the calculation of the PTIs –

- (a) All companies participating in the survey are included in the calculations provided that –
  - (i) they can furnish and confirm data on adjustments of salary and additional payments for not less than 75% of their total employees by a specified date;
  - (ii) where appropriate, they can furnish, either separately or in an aggregate form, data on adjustments relevant to the calculation of the PTIs, i.e. adjustments attributed to cost-of-living changes, general prosperity and company performance, general changes in market rates, inscale increment and merit; and
  - (iii) their economic activities, company size or salary structure has not changed to such an extent that it is no longer appropriate for the data provided by them to be compared with the data provided in the previous year;
- (b) only data on salary adjustments and additional payments relating to the survey period and additional payments for the 12 months before the survey period reported belatedly are included in the calculation of the PTIs;
- (c) data on salary and additional payments for company employees in a particular band are included in the calculation of the PTIs only if by a specified date the company has announced adjustments for not less than 75% of the employees in that band relevant to the survey period;

- (d) adjustments attributable to external and internal relativities are excluded from the calculation of the PTIs;
- (e) changes in bonus are taken into account and one month's bonus is taken as equal to 8.33% of the annual basic salary;
- (f) changes in payments and monthly allowance reported in dollar terms are converted into annual percentage terms by relating them to the appropriate salary rates; and
- (g) where a range of percentage adjustments to a particular salary band is reported, the average figure is used.

### **Data Consolidation**

12. A modified weighted average approach, as elaborated below, should be adopted to consolidate the pay data obtained from the surveyed private sector companies and to work out the gross PTIs –

- (a) the surveyed companies will be separated into two groups by their employment size, namely those employing less than 100 staff and those employing 100 or more staff;
- (b) a weighted average adjustment rate will be worked out for the companies within each group;
- (c) based on the distribution of private sector employees by company size (mentioned in paragraph 3 above), a gross-up factor of 0.25 will be applied to the weighted average adjustment rate in respect of the group of companies with less than 100 staff and a gross-up factor of 0.75 will be applied to the other group. These two gross-up factors will remain unchanged irrespective of the actual number of surveyed companies in each of the two groups; and
- (d) the figures worked out under (c) will then be added up to give the gross PTIs.

## **Survey Results**

13. The PTS produces three gross PTIs, each representing the weighted average (or modified weighted average) pay adjustment for all surveyed employees within each salary band. These PTIs are submitted to the Administration which then deducts from the indicators the payroll cost of civil service increments to produce the net PTIs. The net PTIs and other relevant factors are taken into consideration by the Chief Executive-in-Council when deciding on the adjustment rates for civil service pay for the year.



公務員薪俸及服務條件常務委員會  
Standing Commission on Civil Service Salaries and Conditions of Service

本會檔號 Our Ref. : JS/SC6/COS/4B (VI)  
尊函檔號 Your Ref. : PC/400/000/52 Pt.22  
電 話 Tel.: 2912 8518

24 April 2007

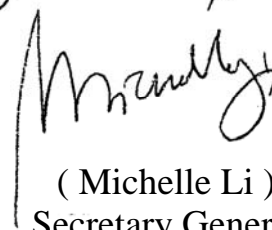
Mr K S So, JP  
Deputy Secretary for the Civil Service  
Civil Service Bureau  
10<sup>th</sup> Floor, West Wing  
Central Government Offices  
11 Ice House Street  
Central  
Hong Kong

Dear K S,

**Review and Monitoring Mechanism for  
Job-related Allowances for Civilian Grades**

At its 331<sup>st</sup> meeting held on 23 April 2007, the Standing Commission (SC) discussed the Administration's proposals to refine the review and monitoring mechanism for Job-related Allowances (JRA) for civilian grades as set out in the paper attached to your letter under reference. I am pleased to advise that the SC has noted the findings of the second comprehensive review and expressed support for the proposal to extend the interval for regular comprehensive reviews from the current two years to five years, and to keep the JRA payments under close monitoring in the intervening years.

Yours sincerely,



(Michelle Li)  
Secretary General



