

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

REPORT No. 48

REPORT 2011

CHAIRMAN

MR NICKY LO KAR-CHUN, SBS, JP

FEBRUARY 2012

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

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28 February 2012

The Honourable Donald Tsang, GBM
The Chief Executive
Hong Kong Special Administrative Region
People's Republic of China
Tamar
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 on our work during 2011.

Yours faithfully,



(Nicky Lo Kar-chun)
Chairman
Standing Commission on Civil Service
Salaries and Conditions of Service

Encl.

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STANDING COMMISSION ON CIVIL SERVICE
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Standing Commission on Civil Service Salaries and Conditions of Service

December 2011



Front Row: Dr Miranda Chung Prof Ho Lok-sang Mr Nicky Lo Kar-chun, SBS, JP (Chairman) Ms Virginia Choi The Hon Jeffrey Lam, GBS, JP

Back Row: Mr Patrick Li, JP (Secretary General) Mr Pang Yiu-kai, SBS, JP Miss Elaine Chan Miss Vega Wong (Assistant Secretary General)

Absent: Mr Owen Chan, JP Mr Barry Cheung, GBS, JP Mr Andy Lo

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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 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. 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 Commission's terms of reference are at **Appendix A**.

1.2 This is our forty-eighth report. It gives an account of our major undertakings in 2011. During the year, we held three Commission meetings and three informal meetings with the civil service staff councils/associations.

1.3 The Commission's membership in 2011 is at **Appendix B**. All ten Commission Members are non-officials appointed in their personal capacity by the Chief Executive. We would like to express our heartfelt gratitude to Professor Ho Lok-sang and Mr Andy Lo Kwong-shing, who retired after six years of dedicated service in the Commission at the end of 2011. We also welcome Professor Suen Wing-chuen and Mr Wilfred Wong Kam-pui who have been appointed to the Commission with effect from 1 January 2012.

1.4 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 Mr Patrick Li, JP, Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, and his staff for their support during the year.

Chapter 2

Advice on Individual Submissions, Informal Meetings with Civil Service Staff Bodies and Other Activities

2.1 During the year, the Administration invited us to advise on the proposed acceptance of qualifications under the “334” new academic structure for civil service appointments, and the proposed creation of a new civilian grade. The Commission also considered the Administration’s invitation to conduct the 2012 Starting Salaries Survey (SSS) and the next Pay Level Survey (PLS). We met with representatives of the major civil service staff bodies to keep abreast of issues of topical concern to staff. A brief account of these activities is summarised in the following paragraphs.

Advice on Individual Submissions

Acceptance of Qualifications under the “334” New Academic Structure for Civil Service Appointments

Background

2.2 Civil service starting salaries are determined having regard primarily to educational qualifications and/or experiences required based on the Qualification Grouping system, which is designed on the basis of the academic structure prevailing before the introduction of the new academic structure. The entry requirements and the Qualification Groups (QGs) for many non-degree grades are benchmarked against specific secondary education levels, or the Hong Kong Certificate of Education Examination (HKCEE) and / or the Hong Kong Advanced Level Examination (HKALE) results. In view of the implementation of the “334” new academic structure for secondary and tertiary education, and the introduction of the Hong Kong Diploma of Secondary Education (HKDSE) Examination in 2012 to replace the HKCEE and the HKALE, the Administration had drawn up comparability proposals for the HKDSE, and the existing HKCEE and HKALE for civil service appointment purpose.

The Administration's Proposals

2.3 In January 2011, the Administration invited the Commission to advise on its comparability proposals for the new HKDSE and the existing HKCEE and HKALE. In brief, under the proposals –

- (a) a Level 3 in New Senior Secondary (NSS) subjects of the HKDSE would be regarded as a pass (i.e. Grade E) in the HKALE or a credit (i.e. Grade C) in the HKCEE; and
- (b) a Level 2 in NSS subjects of the HKDSE would be regarded as comparable to a pass (i.e. Grade E) in the HKCEE.

2.4 The Commission considered the Administration's proposals at its meeting in January 2011.

The Commission's Advice

2.5 The Commission noted that the Administration's comparability proposals were drawn up on the basis of the prevailing minimum academic qualifications required of the relevant civil service grades under the HKCEE and the HKALE. The job nature and requirements underlying the prevailing minimum academic qualifications of the respective grades would not be changed as a result. The proposed acceptance arrangements were therefore technical conversions involving various academic qualifications rather than a policy change or review of the existing entry or job requirements for the relevant grades and ranks concerned. Moreover, the proposals had been drawn up in consultation with local and overseas accreditation bodies, and the new qualifications to be accepted would be comparable with the existing requirements with references to gradings in the HKCEE and the HKALE in the relevant QGs. The Commission agreed that the recommended conversions for various academic qualifications were appropriate.

2.6 The Commission also noted that the academic qualifications upon which the existing QG system was built (i.e. with references to gradings in the HKCEE and the HKALE under two separate QGs) would co-exist with the new qualifications under the HKDSE for some years to come. Given that there was no change in the existing entry or job requirements for the grades and ranks in the relevant QGs, there was a practical need to devise technical conversions between HKCEE and HKALE and the new HKDSE to facilitate holders of the HKDSE qualifications to join the civil service.

2.7 Although the salary and structure of various civil service grades and ranks originated from the QG system built upon academic qualifications with reference to, among others, the gradings in the HKCEE and the HKALE, the long established differences in entry and job requirements as well as pay and rank structures had established well recognised internal relativities among grades and ranks in various QGs. The Commission considered that it might not be justified to change these long established internal relativities solely because of the implementation of the “334” new academic structure.

2.8 In the longer term, the Administration might, at an opportune time, consider if there was a need to review the system. However, any such review would need to take into account all relevant factors, including the job and entry requirements for the various grades and ranks, as well as the long established internal relativities among them. Moreover, in line with the guiding principle of broad comparability between civil service pay and private sector pay, the Commission considered that the Administration should keep in view the private sector practice in the acceptance of qualifications under the new academic structure.

2.9 The Commission tendered advice to the Administration on 2 February 2011 (**Appendix C**), concluding that it agreed that the Administration’s proposed acceptance of qualifications under the “334” new academic structure for civil service appointments was reasonable and practicable in the present circumstances; and recommending that the Administration should keep the proposed system under review in the light of the experience of implementation to ensure that we continue to achieve the policy objective of attracting, retaining and motivating staff of a suitable calibre in the civil service under the “334” new academic structure for civil service appointments.

2.10 The Administration announced in June 2011 that the results in the HKDSE Examination would be accepted for civil service appointment purposes from 20 July 2012 onwards.

Proposed Creation of a New Grade of Regulatory Affairs Manager in the Office of the Telecommunications Authority

Background

2.11 In view of the increasing complexity and sophistication of technological and market developments, the Office of the Telecommunications Authority (OFTA) proposed to create a single multi-disciplinary civil service grade of Regulatory Affairs Manager (RAM) to undertake duties relating to the economics and technical regulation of the telecommunications industry in Hong Kong.

The Administration's Proposal

2.12 In March 2011, the Administration invited the Commission to advise on a proposal to create a new grade of RAM in OFTA to be grouped under QG 12: Other Grades (linked to QG 8: Professional and Related Grades (Group II)). The proposed entry qualifications for the grade were as follows –

- (a) a first or second honours degree in Electrical Engineering, Electronics Engineering, Information Technology, Economics, Statistics, Finance, Accounting, Law, Business Administration, or equivalent;
- (b) 4 years' post-graduate experience in the relevant field, preferably in the telecommunications sector, or equivalent; and
- (c) "Level 1" results in the two language papers in the Common Recruitment Examination.

2.13 The proposed rank and pay structures for the non-directorate level of the new grade were as follows –

<i>Rank</i>	<i>Pay Scales</i>
Principal Regulatory Affairs Manager (PRAM)	MPS* 45–49
Senior Regulatory Affairs Manager (SRAM)	MPS 34–44
Regulatory Affairs Manager (RAM)	MPS 27–33

* MPS – Master Pay Scale

2.14 The Commission considered the Administration's proposal at its meeting in April 2011.

The Commission's Advice

2.15 In considering the Administration's proposal, the Commission had taken into account the following –

- (a) ***Need for a New RAM Grade*** – one of the established principles adopted by the Commission is to avoid the proliferation of new grades and ranks in order to streamline the civil service management structure. A new grade should be created only if it is functionally justified based on operational need, and that such need cannot be fully met by any of the existing grades. The Commission noted that OFTA had been engaging since 1999 a group of multi-disciplinary regulatory staff under Non-civil Service Contract (NCSC) terms to perform both economics and technical regulatory functions. The long-term service need had therefore been clearly established. The Administration had also advised that no existing civil service grade could perform the multi-disciplinary regulatory functions performed by the NCSC staff. On this basis, the Commission supported the proposed creation of a new RAM grade in OFTA;
- (b) ***Entry Qualifications*** – the proposed entry qualifications for the RAM grade would meet OFTA's operational need, and were similar to those for most grades under QG 8: Professional and Related Grades (Group II), to which the new grade was to be linked;
- (c) ***Rank Structure*** – the established principle of the Commission is that the number of ranks and the division of responsibilities among ranks in a grade should be determined by operational requirements and functional justifications. It is also important that there are distinct levels of responsibilities among the ranks. On the basis of the proposed job descriptions for RAM, SRAM and PRAM, and noting that the proposed 3-tier structure was in line with the existing set-up of OFTA, the Commission supported the proposed 3-tier structure at the non-directorate level; and
- (d) ***Pay Structure*** – having made reference to, among others,
 - (i) the Government's pay policy to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre;
 - (ii) the established pay principles, such as the

qualification benchmark system for determining entry pay and the broadbanding principle for determining pay scales for higher ranks; and (iii) the recruitment, morale, retention and career progression situation, the Commission supported the proposed pay structure for the three non-directorate ranks of the RAM grade, as the proposed pay scale for each was consistent with the pay scales for ranks in other grades performing similar functions, and thus would maintain the internal relativities among ranks and was in line with the broadbanding principle.

2.16 On the basis of the above, the Commission supported the Administration's proposal to create a new RAM grade and the proposed pay and rank structures for the grade at the non-directorate level.

2.17 We tendered our advice to the Administration on 26 April 2011 (**Appendix D**). We understand that the creation of the new RAM grade was approved by the Finance Committee of the Legislative Council on 18 November 2011.

2012 Starting Salaries Survey and the Next Pay Level Survey

2.18 In end 2011, the Commission received the Administration's invitation to conduct the 2012 SSS and the next PLS, and make recommendations to the Administration on how the survey findings should be applied to the non-directorate civilian grades in the civil service.

Background

2.19 Under the *Improved Civil Service Pay Adjustment Mechanism* ("the Improved Mechanism") endorsed by the Executive Council in 2007, civil service pay is compared with private sector pay on a regular basis through three different types of surveys, namely –

- (a) a PLS at six-yearly intervals to ascertain whether civil service pay remains broadly comparable with private sector pay;
- (b) an SSS at three-yearly intervals to ascertain whether civil service starting salaries remain in line with that of the private sector; and

- (c) an annual Pay Trend Survey (PTS) to ascertain the year-on-year pay movements in the private sector.

2.20 The Civil Service Bureau conducted the 2006 PLS and SSS with the assistance of professional consultants. The findings and proposed application were submitted to the Commission for information and advice. The Commission conducted the 2009 SSS with the assistance of a professional consultant. The Administration implemented the Commission's findings and recommendations on application in full.

2.21 Building upon the successful experience of the 2009 SSS and in the interest of underlining the independence and credibility of the coming surveys, the Administration invited the Commission to conduct the 2012 SSS and the next PLS, and make recommendations to the Administration on how the survey findings should be applied to the non-directorate civilian grades in the civil service.

Considerations

2.22 The Commission considered the Administration's invitation at its meeting in December 2011, and noted, among others, the past experience in conducting SSS and PLS. We also noted that of the three different types of surveys under the Improved Mechanism, the PLS was the most complex and had the widest scope and impact on the civil service. Whilst it was within the Commission's terms of reference to accept the invitation, having regard to the complexities and the wide implications of the PLS, the Commission would consider the Administration's invitation further before deciding on the way forward.

2.23 If the Commission decided to accept the Administration's invitation, we would, among others, work out work plans and arrangements for consultation with relevant stakeholders, including staff representatives, during the preparation and throughout the conduct of the two surveys.

Liaison with the Major Civil Service Staff Bodies

Background

2.24 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, the Hong Kong Chinese Civil Servants' Association and the Hong Kong Senior Government Officers Association. In order to canvass a wider spectrum of views, the Commission decided in 1996 to meet also three major confederation-type unions not represented on the SCSC, viz. the Government Employees Association, the Hong Kong Civil Servants General Union, and the Hong Kong Federation of Civil Service Unions. These meetings have proven to be very useful in keeping the Commission apprised of issues of topical concern to civil servants.

Major Development of Matters Discussed at Previous Meetings

2.25 As part of our follow-up actions after the last round of informal meetings, the Commission requested the Administration to advise on the actions taken in improving the provision of medical and dental benefits to civil service eligible persons (CSEPs). We noted that the Administration had taken a series of improvement measures and allocated additional resources to improve the medical and dental benefits for CSEPs, and would continue to work closely with the relevant parties to make further improvements.

2.26 Having conveyed to the Administration the Staff Sides' views on conditioned hours of work, the Commission noted that the Administration's position was, among others, that specific conditioned hours of work were laid down for different grades of civil servants according to operational requirements and other relevant considerations. The Administration would consider any proposal to reduce the conditioned hours of work of a particular grade against three prerequisites, i.e. cost-neutrality, no additional manpower, and maintaining the same level of service to the public. It would also consider other relevant factors, including duties and responsibilities of the concerned grade, the manpower situation and the read-across implications of reduction on other civil service grades, etc. The Administration had no plan to introduce a uniform conditioned hours of work across the board for all civil servants.

Informal Meetings in 2011

2.27 In December 2011, we held informal meetings with the SCSC, the MOD 1 Council, and the Hong Kong Chinese Civil Servants' Association. We had also scheduled a joint meeting with the three service-wide staff bodies in January 2012.

2.28 At the informal meetings, we exchanged views with the staff bodies on, among others, the annual review of the PTS methodology, the PLS and SSS, the provision of medical and dental benefits, the proposed provision of paternity leave to government employees, conditioned hours of work, retirement and housing benefits for MOD 1 staff, the new control regime on post-service employment of directorate civil servants, succession in the civil service and other issues related to civil service appointment. While recognising that the Administration had endeavoured to improve medical and dental benefits to CSEPs in the past years, the staff representatives put forward ideas on how the existing level of service would be further improved.

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

Liaison with External Stakeholders

2.30 In the course of the year, the Commission and the Joint Secretariat maintained close contact with major interested private sector organisations to keep track of developments in the private sector and exchange views on civil service pay, conditions of service and pay trend surveys.

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 (PTIs) to produce the net PTIs. Having regard to the net PTIs derived from the PTSs 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 Standing Commission's advice in 1983. Its Chairman and Alternate Chairman are nominated from Members of the Commission. Ms Virginia Choi and Mr Barry Cheung, GBS, JP, have been the Chairman and the Alternate Chairman of the PTSC respectively since January 2008. The PTSC also 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 E**.

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 seven meetings in 2011.

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

Pay Survey and Research Unit

3.5 The fieldwork of the PTS is conducted by the Pay Survey and Research Unit (PSRU), which is an independent unit under the Joint Secretariat. The PSRU collects information from companies/organisations in the survey field as approved by the PTSC on changes in basic salaries 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 PTIs for three different salary bands. The findings are then presented to the PTSC for validation and agreement.

The Improved Methodology of the Pay Trend Survey

3.6 Starting from 2007, the PTS has adopted an improved methodology as approved by the Chief Executive-in-Council in March 2007. Under the improved methodology, the survey field is broadened to cover larger companies (with 100 or more employees) and smaller companies (with 50 to 99 employees) in order to enhance the representativeness and credibility of the PTS. To complement the broadening of survey field, the data consolidation method is modified to ensure that the data from smaller companies with 50 to 99 employees are suitably represented.

3.7 Since the 2008 PTS, a technical refinement in data collection has been adopted to facilitate future assessment on the feasibility of aligning the methodologies for the Pay Level Survey (PLS) and the PTS. Under the arrangement, five salary bands as adapted from the PLS are used for data collection, while maintaining the existing three-band system for data consolidation and calculation of PTIs.

The 2011 Pay Trend Survey

3.8 The 2011 PTS, commissioned by the PTSC in January 2011, was conducted between January and May 2011. It followed the improved PTS methodology with the technical refinement in data collection.

3.9 A total of 116 companies, comprising 87 larger companies (75%) and 29 smaller companies (25%), participated in the 2011 PTS. The PSRU collected information on pay adjustments in these 116 companies (comprising 184 350 employees) over the 12-month period from 2 April 2010 to 1 April 2011 and analysed the data in accordance with the improved methodology. The survey findings were released on 19 May 2011 and considered by the PTSC on 26 May 2011. A summary of the results of the survey is at **Appendix F**.

3.10 With the approval of the Chief Executive-in-Council in June 2011 and the funding support of the Finance Committee of the Legislative Council in July 2011, the 2011-12 civil service pay adjustment took retrospective effect from 1 April 2011. The approved salary increases were 7.24% for the civil servants in the upper salary band and 6.16% for those in the middle/lower salary bands. The revised pay scales relevant to the Commission's purview are shown at **Appendix G**.

Review of Survey Methodology

3.11 It has been an established practice for the PTSC, as assisted by the PSRU, to conduct a review of the PTS methodology and submit its recommendations to the Standing Commission before the conduct of the next PTS. This year, apart from the general items of review covered in past years, the PTSC conducted in-depth examination on how to deal with adjustment due to compliance with the Statutory Minimum Wage (SMW) which came into effect on 1 May 2011. The PTSC completed the review and submitted its recommendations to the Commission in December 2011. A summary of the PTSC's key recommendations is at **Appendix H**.

General Aspects of PTS Methodology

3.12 Overall speaking, the PTSC continued to be generally satisfied with the existing methodology, and recommended that the status quo should

be maintained for the general aspects of the PTS methodology for the 2012 PTS.

How to Deal with SMW Adjustment

3.13 As regards how to deal with SMW in the 2012 PTS, the PTSC reached a consensus that SMW adjustment, being adjustment in compliance with a statutory requirement, and not on account of any pay-trend-related factors (i.e. cost of living; general prosperity and company performance; general changes in market rates; and inscale increment and merit) under the existing PTS methodology, should be excluded from the 2012 PTS.

3.14 As to how SMW adjustment should be excluded, the PTSC had no consensus after in-depth examination and detailed discussion on two possible options viz. (i) setting a lower bound for the lower salary band (LB) at the lowest pay point of established civil service posts, i.e. currently at Model Scale 1 Pay Scale Point 0 (\$9,595) to exclude SMW adjustment and enhance the relevance of PTS to the civil service; and (ii) stipulating surveyed companies to exclude data points affected by SMW adjustment.

The Commission's Views on the Review of PTS Methodology

3.15 The Commission considered the PTSC's recommendations at its meeting in December 2011.

3.16 On the general aspects of the PTS methodology, we supported the PTSC's recommendations that the status quo should be maintained for the 2012 PTS.

3.17 As to how to deal with SMW adjustment, we also supported the exclusion of SMW adjustment from the 2012 PTS as a matter of principle. We considered that maintaining the credibility of PTS was of utmost importance. PTS has always provided private sector pay trend data for employees with pay up to the top end of the civil service Master Pay Scale. Any change to its methodology or surveyed sample coverage should be kept to the minimum necessary to exclude data points affected by SMW adjustment. Any other considerations in making changes, such as to enhance the "relevance" of the PTS to the civil service, should be dealt with as a separate issue, and thoroughly discussed as such.

3.18 The Commission considered that setting a lower bound for LB had merits, as it would provide an objective and clear criterion for the exclusion of data points affected by SMW, and would be conducive to achieving greater certainty and sustainability of the PTS. We appreciated that the PTSC would need more time to discuss and agree on an appropriate level of a lower bound to address SMW adjustment only. Before this was determined, we considered that it would be prudent to continue with the existing PTS methodology, but simply to exclude data points affected by SMW adjustment.

3.19 In conclusion, we recommended that –

For the 2012 PTS –

- (a) the status quo should be maintained for the general aspects of the PTS methodology;
- (b) the PTSC should stipulate to surveyed companies to exclude all data points affected by the SMW adjustment;
- (c) the PTSC should work out suitable guidelines for surveyed companies to help reduce subjectivity and uncertainty in companies' exclusion of SMW data points, and any “rippling effect”, i.e. consequential adjustment to wages immediately above SMW, should not be excluded; and
- (d) the PTSC should collect relevant data from surveyed companies on the minimum monthly salary they offered to their employees affected by SMW. Such data might be of use to the PTSC when it deliberated on the appropriate lower bound for the LB for adoption in future.

From 2013 PTS onwards –

- (e) a lower bound should be set for LB at a level to exclude SMW only, based on relevant data as might be gathered from surveyed companies in the course of the 2012 PTS, and further consideration by PTSC taking into account all other relevant factors; and
- (f) the treatment of “rippling effect” as mentioned in paragraph 3.19(c) above should continue.

3.20 A copy of our letter dated 30 December 2011 tendering advice to the Administration on the review of the PTS methodology is at [Appendix I](#).

Chapter 4

Future Programme of Work

4.1 In the year of 2012, we will consider further the Administration's invitation to conduct the 2012 Starting Salaries Survey and the next Pay Level Survey. If we accept the Administration's invitation, our efforts will mainly focus on the two separate surveys, including, among others, working out their work plans, deliberating on the methodologies of the pay comparison surveys, procuring consultancy services for the two surveys, and consulting the staff sides and relevant stakeholders to exchange views at various stages of the two surveys as appropriate.

4.2 Following the Chief Executive's announcement in the 2011-12 Policy Address in October 2011 that the Government would take the lead in promoting the good practice of providing paid paternity leave for employees to promote child-bearing and family-friendly practices, the Civil Service Bureau has been giving active consideration to the provision of paid paternity leave to government employees. Staff consultation was conducted in November to December 2011. The Administration plans to seek the Commission's comments on the proposal in the first quarter of 2012.

4.3 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.

4.4 As in the past, we shall maintain our contact with the major civil service staff bodies and interested 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 judicial officers and disciplined services staff, 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 2011

Chairman

Mr Nicky Lo Kar-chun, SBS, JP

Members

Mr Owen Chan Shui-shing, JP

Miss Elaine Chan Wing-yi

Mr Barry Cheung Chun-yuen, GBS, JP

Ms Virginia Choi Wai-kam

Dr Miranda Chung Chan Lai-foon

Professor Ho Lok-sang

The Honourable Jeffrey Lam Kin-fung, GBS, JP

Mr Andy Lo Kwong-shing

Mr Pang Yiu-kai, 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/SC10/QG/1

尊函檔號 Your Ref.: SPQ 1/47/1 III

電 話 Tel.:

2 February 2011

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

Dear Denise,

**Acceptance of Qualifications
under the “334” New Academic Structure
for Civil Service Appointments**

The Standing Commission (SC) has considered the Civil Service Bureau (CSB)’s proposal for the acceptance of qualifications under the “334” new academic structure for civil service appointments, and the corollary implications on the pay and conditions of service of the relevant grades concerned.

Major Changes under the “334” New Academic Structure

2. The SC notes that under the “334” new academic structure, the major changes are –

- (a) the 5-year secondary (Forms 1 - 5) and the 2-year matriculation (Forms 6 - 7) curricula will be replaced by the new secondary curriculum, comprising 3-year junior secondary education (Secondary 1 - 3) and 3-year senior secondary education (Secondary 4 - 6);

- (b) the two examinations, i.e. the Hong Kong Certificate of Education Examination (HKCEE) on completion of Form 5, and the Hong Kong Advanced Level Examination (HKALE) on completion of Form 7, will be replaced by a single examination on completion of Secondary 6, i.e. the Hong Kong Diploma of Secondary Education (HKDSE); and
- (c) the grading systems of the HKCEE and HKALE will be replaced by the new grading system under the HKDSE.

The Commission's Views

General

3. The SC notes that the comparable entry requirements suggested by the CSB are proposed on the basis of the prevailing minimum academic qualifications required of the relevant civil service grades under the HKCEE and HKALE. The job nature and requirements underlying the prevailing minimum academic qualifications of the respective grades will not be changed as a result. The proposed acceptance arrangements are therefore technical conversions involving various academic qualifications rather than a policy change or review of the existing entry or job requirements for the relevant grades and ranks concerned.

Comparability of Academic Qualifications

4. The SC notes that the CSB's proposal to accept qualifications under the "334" new academic structure for civil service appointments has been drawn up in consultation with local and overseas accreditation bodies, and the new qualifications to be accepted are comparable with the existing requirements with references to gradings in the HKCEE and HKALE in the relevant Qualification Groups (QGs). The CSB has also consulted the relevant Heads of Departments (HoDs) and Heads of Grades (HoGs) in drawing up the comparable qualifications.

5. The SC notes that the CSB has fully taken into account the expert and professional views of the accreditation bodies, and the views of relevant HoDs/HoGs in drawing up the comparable entry requirements under the HKDSE. We agree that the recommended conversions for various academic qualifications are appropriate.

Co-existence of Qualifications under the HKCEE, HKALE and HKDSE

6. The SC notes that the academic qualifications upon which the existing QG system was built (i.e. with references to gradings in the HKCEE and the HKALE under two separate QGs) would co-exist with the new qualifications under the HKDSE for some years to come. Given that there is no change in the existing entry or job requirements for the grades and ranks in the relevant QGs, there is a practical need to devise technical conversions between HKCEE and HKALE and the new HKDSE to facilitate holders of the HKDSE qualifications to join the civil service.

Internal Relativities

7. Although the salary and structure of various civil service grades and ranks originated from the QG system, the long established differences in entry and job requirements as well as pay and rank structures have established well recognised internal relativities among grades and ranks in various QGs. The SC considers that it may not be justified to change these long established internal relativities solely because of the implementation of the “334” new academic structure.

8. However, the SC considers that the prevailing pay relativities between grades in the two separate QGs, namely QGs 2 and 7, based on qualifications under the HKCEE and HKALE respectively, are easier to understand given the candidates have to take two different examinations at different stages of the secondary education. For direct entrants into ranks of these two QGs immediately after graduation from school, there is also in general a two-year gap in age and experience between the two. Under the proposed conversion arrangements relating to the “334” new academic structure, however, candidates possessing different gradings in the same examination, i.e. the HKDSE, will be eligible for jobs under two different QGs with the corollary pay relativities, and the justifications for differential treatment may be less easily understood than before.

9. Notwithstanding the above, the SC notes that the current exercise is a technical conversion built upon the existing QG system to cater for the new academic structure. Expert views and international benchmarking have been taken into account in drawing up the conversion arrangements. On this basis, the SC considers that the CSB’s proposals are pragmatic arrangements to be put in place given such circumstances.

10. In the longer term, the CSB may, at an opportune time, e.g. when the majority of candidates for the relevant civil service jobs possess qualifications under the HKDSE, consider if there is a need to review the system, including whether distinction should be drawn based on specific gradings in the HKDSE, and if so, the appropriate entry pay relativities among them. However, any such review will need to take into account all relevant factors, including the job and entry requirements for the various grades and ranks, as well as the long established internal relativities among them.

Broad Comparability with the Private Sector

11. One of the guiding principles of civil service pay is broad comparability with the private sector to ensure that civil service pay is regarded as fair by both civil servants and the public. While the private sector may look to the Government (as the largest single employer) to see how the new academic qualifications are recognised, the SC considers that the CSB should also keep in view the private sector practice in the acceptance of qualifications under the new academic structure. This will also have relevance when the Government seeks to compare entry pay benchmarks between the private and public sectors, say, in the course of the regular Starting Salaries Survey (SSS).

12. As pointed out by the SC in its Report No. 46 on the 2009 SSS, we note that there are difficulties in finding private sector equivalence for some QGs insofar as entry qualifications are concerned. The Government needs to keep this issue under review and monitor the private sector practice for entry jobs based on the new HKDSE qualifications.

Engagement with Stakeholders

13. The comparability proposals are technical in nature and may sound rather complicated to relevant stakeholders. The SC notes that the CSB will continue to involve the management and Staff Sides in promulgating the proposals. The SC considers that in the process, it is important, among others, for serving staff to understand the basis for the proposal and that no additional new entry requirements are imposed; and to ensure that potential civil servant candidates fully understand the proposed entry qualification conversion arrangements before the launch of recruitment exercises for the entry ranks concerned.

Conclusion

14. In conclusion, the SC agrees that the CSB's proposed acceptance of qualifications under the "334" new academic structure for civil service appointments is reasonable and practicable in the present circumstances. The SC also agrees that the proposed acceptance arrangements are technical conversions involving various academic qualifications rather than a policy change or review of the existing entry and job requirements for the relevant grades and ranks concerned.

15. For the reasons set out in the preceding paragraphs, we recommend that the CSB should keep the proposed system under review in the light of the experience of implementation to ensure that we continue to achieve the policy objective of attracting, retaining and motivating staff of a suitable calibre in the civil service under the "334" new academic structure for civil service appointments.

Yours sincerely
Nicky

(Nicky Lo Kar-chun)
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/SC3/R/19
尊函檔號 Your Ref. : (1) in PC/220/0A1/1 Pt. 3
電 話 Tel. :

26 April 2011

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

Dear Denise,

**Proposed Creation of a New Grade of
Regulatory Affairs Manager
in the Office of the Telecommunications Authority**

The Standing Commission (SC) has considered the Administration's proposal for the creation of a new grade of Regulatory Affairs Manager (RAM) in the Office of the Telecommunications Authority (OFTA). We would like to thank the representatives from the Civil Service Bureau (CSB) and OFTA for attending our meeting on 12 April. On behalf of SC, I am writing to tender our advice on the matter.

The Administration's Proposal

2. The Administration proposes to create a new grade of RAM in OFTA to be grouped under Qualification Group (QG) 12: Other Grades (linked to QG 8: Professional and Related Grades (Group II)). The entry qualifications for the grade are as follows –

- (a) a first or second honours degree in Electrical Engineering, Electronics Engineering, Information Technology, Economics, Statistics, Finance, Accounting, Law, Business Administration, or equivalent;
- (b) 4 years' post-graduate experience in the relevant field, preferably in the telecommunications sector, or equivalent; and
- (c) "Level 1" results in the two language papers in the Common Recruitment Examination.

3. The proposed rank and pay structures for the new grade are as follows –

<i>Rank</i>	<i>Pay Scales</i>
Chief Regulatory Affairs Manager (CRAM)	DPS* 1
Principal Regulatory Affairs Manager (PRAM)	MPS* 45–49
Senior Regulatory Affairs Manager (SRAM)	MPS 34–44
Regulatory Affairs Manager (RAM)	MPS 27–33

* DPS – Directorate Pay Scale
MPS – Master Pay Scale

4. SC notes that the Administration will separately seek the advice of the Directorate Committee on the proposed creation of the top rank of the grade (i.e. CRAM) at Directorate level. In accordance with SC's terms of reference, our advice below focuses on the proposed creation of the new grade as well as its proposed rank and pay structures at the non-directorate level.

The Commission's Views

Need for a New RAM Grade

5. One of the established principles adopted by SC is to avoid the proliferation of new grades and ranks in order to streamline the civil service management structure. SC therefore considers that a new grade should be created only if it is functionally justified based on operational need, and that such need cannot be fully met by any of the existing grades.

6. In the present case, SC notes that, with the implementation of the policy of opening up the telecommunications market, and legislative changes conferring additional economics regulatory functions to OFTA in the past decade or so, OFTA has been engaging since 1999 a group of multi-disciplinary regulatory staff under Non-civil Service Contract (NCSC) terms to perform both economics and technical regulatory functions. Many of them have been serving for more than five years. The long-term service need for this group of multi-disciplinary regulatory staff therefore has been clearly established.

7. SC agrees with the Administration that in this case, engaging civil servants to perform regulatory and enforcement functions on a long-term basis is in the right direction. Amongst others, a more stable career, better promotion prospects, and the related benefits and allowances for civil servants would help attract and retain talents to form a more stable establishment of regulatory staff. This in turn would help maintain the impartiality and credibility of OFTA in regulatory matters. The Administration has also advised that no existing civil service grade can perform the multi-disciplinary regulatory functions currently performed by the NCSC staff.

8. On the above basis, SC supports the proposed creation of a new RAM grade in OFTA.

9. SC also notes that, apart from the telecommunications sector, many other statutory regulatory regimes may also need similar multi-disciplinary regulatory staff to cope with the increasingly complex market in which they operate. Should such needs arise, the Administration may consider the option of extending the RAM grade to such regulatory bodies where appropriate instead of creating yet another new grade, subject to the operational needs being fully met and all relevant management issues carefully considered.

Entry Qualifications

10. SC notes that the proposed entry qualifications for the RAM grade will meet OFTA's operational need, and are similar to those for most grades under QG 8: Professional and Related Grades (Group II), to which the new grade is linked. The Administration has advised that, while the post-graduate experience for the RAM grade is one year less than the NCSC staff, 4 years' post-graduate experience can still meet the grade's operational need, and is the minimum requirement for potential candidates to competently take up the relevant regulatory functions.

Rank Structure

11. The Administration proposes a 3-tier rank structure for the non-directorate level of the RAM grade, which differs from the group norm (i.e. grades without an assistant rank) of a 2-tier structure of QG 8 Group II. The Administration therefore proposes the new grade be grouped under QG 12: Other Grades.

12. In line with established principle adopted by SC, the number of ranks and the division of responsibilities among ranks in a grade are determined by operational requirements and functional justifications. In determining the rank structure, it is also important that there are distinct levels of responsibilities among the ranks.

13. On the basis of the proposed job descriptions for RAM, SRAM and PRAM, and noting that the proposed 3-tier structure is in line with the existing set-up of OFTA, SC supports the proposed 3-tier structure at the non-directorate level.

Pay Structure

14. In considering the proposed pay structure of the grade, we have made reference to, among others –

- (a) the Government's pay policy to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre;
- (b) the established pay principles, such as the qualification benchmark system for determining entry pay and the broadbanning principle for determining pay scales for higher ranks; and
- (c) the recruitment, morale, retention and career progression situation of each grade.

RAM (MPS 27–33)

15. The Administration proposes a pay scale of MPS 27–33 for RAM. The proposed starting salary of the grade at MPS 27 is the benchmark of QG 8 Group II (to which the proposed new grade is linked). The proposed ceiling of MPS 33 is consistent with the ceiling of the pay scales for most grades performing similar junior management functions.

This proposed pay scale will thus maintain the internal relativities among grades requiring similar entry qualifications or performing similar managerial responsibilities. We also note that OFTA considers that a pay scale of MPS 27–33 would enable it to attract qualified candidates with the right calibre and potential for development to join the grade.

SRAM (MPS 34–44)

16. The proposed pay scale for the 2nd tier rank is MPS 34–44, which is consistent with the pay scales of most grades performing similar middle management functions. It is in line with the broadbanding principle adopted by SC in considering the pay scales for higher ranks.

PRAM (MPS 45–49)

17. The proposed pay scale of MPS 45–49 for the 3rd tier rank is the same as that for the highest ranks of the non-directorate civil service. The proposed pay scale is also in line with SC's broadbanding approach for setting the pay scales of the highest ranks of the non-directorate civil service.

18. On the basis of the above, SC supports the proposed pay structure at the non-directorate level.

Implementation

19. We understand that OFTA plans to create some 30 non-directorate civil service posts in the new grade by phases over a period of three years to replace the NCSC staff. Open recruitment will be conducted for all ranks, including the higher ranks of SRAM and PRAM, upon the creation of the new grade. Thereafter, OFTA will fill vacancies at the higher ranks by promotion from lower ranks and conduct open recruitment at the entry rank only.

Conclusion

20. We support the Administration's proposal to create a new RAM grade and the proposed pay and rank structures for the grade. In view of the ever-changing technological and market development, we trust that, upon the creation of the new grade, OFTA Management would continue to

take into account all relevant factors to ensure that its set-up will best meet its operational need, and its staff will continue to keep abreast of market developments in discharging their regulatory functions.

Yours sincerely
Nicky

(Nicky Lo Kar-chun)
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 2011 Pay Trend Survey

Introduction

Pay Trend Surveys (PTSs) 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, PTSs 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 (PSRU) was established in December 1982 and the Pay Trend Survey Committee (PTSC) shortly after. The 2011 PTS was the 34th of its kind.

Survey Period

2. The survey covered a 12-month period from 2 April 2010 to 1 April 2011.

Participating Companies

3. A total of 116 companies took part in the survey including 87 larger companies (with 100 or more employees) and 29 smaller companies (with 50 to 99 employees) in the ratio of 75 : 25. The pay data of their 184 350 employees were used in the calculation of the 2011 gross pay trend indicators (PTIs).

Data Collection

4. Following the adoption of a technical refinement to the improved methodology for the PTSs (the methodology was endorsed by the Chief Executive-in-Council in March 2007), data collection in the 2011 PTS was based on five salary bands by subdividing the middle and upper salary bands into two bands while keeping the lower salary band intact. The classification was as follows –

- | | | |
|-----|--|-------------------------------|
| (a) | <u>Lower Salary Band</u>
(below MPS ¹ Point 10) | below \$15,875 per month |
| (b) | <u>Middle Salary Band (I)</u>
(MPS Points 10 to 23) | \$15,875 – \$30,785 per month |
| (c) | <u>Middle Salary Band (II)</u>
(Above MPS Point 23 to Point 33) | \$30,786 – \$48,670 per month |
| (d) | <u>Upper Salary Band (I)</u>
(Above MPS Point 33 to Point 44) | \$48,671 – \$74,675 per month |
| (e) | <u>Upper Salary Band (II)</u>
(Above MPS Point 44 to
GDS(O) ¹ Point 39) | \$74,676 – \$96,885 per month |

5. Data collection commenced in January 2011 and ended in May 2011. Questionnaires with guidance notes were sent to participating companies for completion. The staff of the PSRU 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.

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 PSRU analysed the company data in accordance with the approved methodology and presented its findings to the PTSC on 19 May 2011.

8. The PTSC validated the survey findings on 26 May 2011. Taking into account only those adjustments which related to the cost of living,

¹ MPS denotes Master Pay Scale; GDS(O) denotes General Disciplined Services (Officer) Pay Scale.

general prosperity and company performance, general changes in market rates, inscale increment and merit, the following pay adjustments had been made in the surveyed companies during the period from 2 April 2010 to 1 April 2011 –

- (a) Lower Salary Band + 6.14%
(below \$15,875 per month)

- (b) Middle Salary Band + 6.98%
(\$15,875 to \$48,670 per month)

- (c) Upper Salary Band + 7.90%
(\$48,671 to \$96,885 per month)

Pay Trend Indicators

9. The findings of the PTSs were known as the gross PTIs. 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 0.98%, 0.82% and 0.66% respectively for the lower, middle and upper salary bands in 2011, arrived at the net PTIs as follows –

- (a) Lower Salary Band + 5.16%

- (b) Middle Salary Band + 6.16%

- (c) Upper Salary Band + 7.24%

**Civil Service Pay Scales Relevant to the Commission’s Purview
(with effect from 1 April 2011)**

<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	95,595	13	12,500	4	8,510
48	92,275	12	12,250	3	7,800
47	89,075	11	11,995	2	7,050
46 (44B)	85,945	10	11,765	1	6,340
45 (44A)	82,975	9	11,535	0	5,980
44	80,080	8	11,315		
43	77,295	7	11,100		
42	74,110	6	10,885		
41	71,050	5	10,665		
40	68,110	4	10,450		
39	65,300	3	10,230		
38	62,410	2	10,015		
37	59,670	1	9,800		
36 (33C)	56,975	0	9,595		
35 (33B)	54,450				
34 (33A)	53,060				
33	51,670				
32	49,355				
31	47,135				
30	45,020				
29	43,010				
28	41,070				
27	39,220				
26	37,465				
25	35,785				
24	34,220				
23	32,680				
22	31,210				
21	29,795				
20	28,380				
19	27,030				
18	25,750				
17	24,540				
16	23,360				
15	22,240				
14	21,175				
13	20,160				
12	19,010				
11	17,895				
10	16,855				
9	15,900				
8	14,935				
7	14,010				
6	13,145				
5	12,365				
4	11,585				
3	10,885				
2	10,215				
1	9,600				
0	9,030				

<u>Training Pay Scale</u>		<u>Technician Apprentice Pay Scale</u>	
<u>Point</u>	<u>\$</u>	<u>Point</u>	<u>\$</u>
16	22,185	4	10,765
15	21,125	3	9,815
14	20,110	2	8,870
13	19,230	1	8,160
12	18,055	0	7,655
11	16,560		
10	15,205		
9	14,320		
8	13,440		
7	12,620		
6	11,855		
5	11,115		
4	10,440		
3	9,815		
2	9,195		
1	8,645		

Summary of the Pay Trend Survey Committee's Recommendations on the Review of the Methodology of the Pay Trend Survey

A. Methodology

Statutory Minimum Wage (SMW)

- (a) SMW adjustment, being adjustment in compliance with a statutory requirement, and not on account of any pay-trend-related factors (i.e. cost of living; general prosperity and company performance; general changes in market rates; and inscale increment and merit) under the existing Pay Trend Survey (PTS) methodology, should be excluded from the 2012 PTS.

Survey Field

- (b) The status quo should be maintained, i.e. the inclusion of smaller companies (with 50 to 99 employees) alongside with larger companies (with 100 or more employees), in the ratio of 25 : 75, with the flexibility of a deviation of around plus/minus 5 percentage points. The 2011 PTS was the fifth year that smaller companies were included in the survey field. The intention of including smaller companies was to better reflect the employment profiles in Hong Kong and to improve the credibility and representativeness of the PTS.

Salary Bands

- (c) The technical arrangement to collect data based on five salary bands, while consolidating data and calculating the pay trend indicators (PTIs) based on three salary bands was adopted since the 2008 PTS to explore the feasibility of aligning the salary band demarcation of the PTS and the Pay Level Survey (PLS). Experience in the past four PTSs shows that it is technically feasible to collect data by five salary bands. This arrangement should continue to collect more yearly figures for further examination of the feasibility of aligning the methodologies of the PTS and the PLS.

Data Consolidation

- (d) The current data consolidation method by the weighted employee-based approach should be maintained.

Employees Covered

- (e) The status quo should be maintained, i.e. employees whose basic salaries are beyond the highest pay point for the non-directorate civil servants are not covered in the PTS.

Components of Pay Adjustment

- (f) Long-term incentive awards (LTIs), such as shares and share options, should continue to be excluded from the calculation of PTIs, while additional payments should continue to be included in the calculation of PTIs.

B. Operational Measures

- (a) SMW – the questionnaire and guidance notes would be suitably amended and all doubtful cases would be reported to the Pay Trend Survey Committee (PTSC).
- (b) LTIs – information on LTIs in lieu of additional payments in the annual PTS would continue to be collected for reference.
- (c) Internal Relativities / External Relativities (IR/ER) – IR/ER issues would continue to be monitored.
- (d) Data Submission by Companies – companies would continue to be urged to provide breakdown by employee category for each band.
- (e) Opening and Transposing of Questionnaire Results – the status quo should be maintained and information would continue to be provided to facilitate PTSC Members' consideration of the survey findings.

Appendix I

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 Pt.16
尊函檔號 Your Ref. : CSBCR/PG/4-085-001/69
電 話 Tel.:

30 December 2011

Miss Denise Yue, GBS, JP
Secretary for the Civil Service
9th Floor, West Wing
Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Denise,

Review of the Methodology of the Pay Trend Survey

I am writing on behalf of the Standing Commission (SC) to offer our advice, under Clause I(d) of our terms of reference, on the methodology of the Pay Trend Survey (PTS).

Background

2. Since 2007, the conduct of the PTS has been based on the improved methodology as approved by the Chief Executive-in-Council in March 2007. A technical refinement was introduced in the 2008 PTS to facilitate assessment on the feasibility of aligning the methodologies of the PTS and the Pay Level Survey (PLS). Under the arrangement, five salary bands as adapted from the PLS are used for data collection while maintaining three salary bands for data consolidation and calculation of the Pay Trend Indicators (PTIs). The 2011 PTS was conducted in accordance with the methodology adopted for the 2010 PTS.

Current Review

3. In keeping with the established practice, the Pay Trend Survey Committee (PTSC) has conducted a review of the PTS methodology after the completion of the 2011 PTS and submitted a report to SC. This year, apart from the general items of review covered in past years, PTSC has conducted in-depth examination on how to deal with adjustment due to compliance with the Statutory Minimum Wage (SMW) which came into effect on 1 May 2011.

PTSC's Overall Comments

General Aspects of PTS Methodology

4. Overall speaking, PTSC continues to be generally satisfied with the existing methodology, and has recommended that the status quo should be maintained for the general aspects of the PTS methodology for the 2012 PTS.

How to Deal with SMW Adjustment

5. As regards how to deal with SMW in the 2012 PTS, PTSC has reached a consensus that SMW adjustment, being adjustment in compliance with a statutory requirement, and not on account of any pay-trend-related factors (i.e. cost of living; general prosperity and company performance; general changes in market rates; and in-scale increment and merit) under the existing PTS methodology, should be excluded from the 2012 PTS.

6. As to how SMW adjustment should be excluded, PTSC had no consensus after in-depth examination and detailed discussion on two possible options viz. –

- (a) setting a lower bound for the lower salary band (LB) (“lower bound” option) at the lowest pay point of established civil service posts, i.e. currently at Model Scale 1 Pay Scale (MOD 1) Point 0 (\$9,595) to exclude SMW adjustment and enhance the relevance of PTS to the civil service; and
- (b) stipulating surveyed companies to exclude data points affected by SMW adjustment (“exclusion” option).

SC's Considerations

7. SC considered the PTSC's report at its meeting held on 20 December 2011.

8. On the **general aspects** of the PTS methodology, SC supports the PTSC's recommendation that the status quo should be maintained for the 2012 PTS. Detailed considerations are set out in paragraphs 14 to 18 below.

9. As to how to deal with **SMW adjustment**, SC also supports the exclusion of SMW adjustment from the 2012 PTS as a matter of principle. Regarding how SMW adjustment should be excluded, SC has noted that PTSC had detailed discussion of the pros and cons of the two options, as summarised below –

(a) Lower bound option

- This option achieves greater certainty by minimising subjectivity and arbitrariness when surveyed companies exclude data points affected by SMW adjustment. As the implementation of SMW involves a translation of monthly salary (commonly adopted by companies) to hourly rates, different companies may adopt different strategies to cope. For example, some may change the affected employees' pay from monthly salary to hourly rates, some may redefine the affected employees' conditions of service (e.g. from not clearly defined to making it clear whether there are paid meal breaks or paid rest days), etc. Employees with the same monthly salaries prior to SMW implementation would thus be excluded or included in PTS at the discretion and subjective judgement of the companies concerned. By setting a lower bound, individual surveyed companies do not need to determine whether an employee is or is not affected by SMW adjustment based on their individual circumstances.
- Setting a lower bound to LB is unprecedented since the inception of PTS. While the majority view does not see setting of a lower bound would change the objective of PTS, one view is that this would change the nature and purpose of PTS which seeks to ascertain the year-on-year pay movement of broad sections of employees in the private sector.

- While one view is that the level of the lower bound (i.e. \$9,595, pegged to the lowest pay point of established civil service posts) would (i) address SMW and (ii) enhance the relevance of PTS to the civil service in one go, another view is that the latter purpose has hitherto not been a consideration of PTS.

(b) Exclusion option

- While this option introduces a new category of exclusion, it does not represent a fundamental change in PTS methodology as SMW adjustment is in any case not a pay-trend-related factor and should be excluded from the calculation of PTIs.
- Allowing surveyed companies to exclude data points affected by SMW adjustment based on their individual circumstances (e.g. number of working hours, whether there are paid meal breaks or rest days) would bring about uncertainties, as the process inevitably involve arbitrariness and subjective judgement. This could in turn lead to disputes amongst PTSC, the Pay Survey and Research Unit and surveyed companies, as well as within PTSC itself.

10. SC considers that maintaining the credibility of PTS is of utmost importance. PTS has always provided private sector pay trend data for employees with pay up to the top end of the civil service Master Pay Scale. Any change to its methodology or surveyed sample coverage should be kept to the minimum necessary to exclude data points affected by SMW adjustment. Any other considerations in making changes, such as to enhance the “relevance” of the PTS to the civil service, should be dealt with as a separate issue, and thoroughly discussed as such.

11. SC considers that setting a lower bound for LB has merits, as it provides an objective and clear criterion for the exclusion of data points affected by SMW, and is conducive to achieving greater certainty and sustainability of the PTS. SC does not agree to the view that setting a lower bound for LB to exclude SMW adjustment would depart from the nature and purpose of PTS, as long as the level of the lower bound is set with reference to SMW only and not for any other purposes. As noted above, the monthly salaries of SMW affected employees would differ from company to company depending on their individual circumstances. SC appreciates that PTSC would need more time to discuss and agree on an

appropriate level of a lower bound to address SMW adjustment only. Before this is determined, SC considers that it would be prudent to continue with the existing PTS methodology, but simply to exclude data points affected by SMW adjustment.

12. In the circumstances, SC **recommends** that –

For 2012 PTS –

- (a) PTSC should stipulate to surveyed companies to exclude all data points affected by SMW adjustment;
- (b) PTSC should work out suitable guidelines for surveyed companies to help reduce subjectivity and uncertainty in companies' exclusion of SMW data points, and any "rippling effect", i.e. consequential adjustment to wages immediately above SMW, should not be excluded;
- (c) PTSC should collect relevant data from surveyed companies on the minimum monthly salary they offer to their employees affected by SMW. Such data may be of use to PTSC when it deliberates on the appropriate lower bound for LB for adoption in future;

From 2013 PTS onwards –

- (d) a lower bound should be set for LB at a level to exclude SMW only, based on relevant data as may be gathered from surveyed companies in the course of the 2012 PTS, and further consideration by PTSC taking into account all other relevant factors; and
- (e) the treatment of "rippling effect" as mentioned in paragraph 12(b) above should continue.

13. SC recognises that relying on surveyed companies to exclude data points affected by SMW adjustment in 2012 PTS is not ideal, as it involves subjective judgement and arbitrariness in the reporting of data by surveyed companies. This is, however, a more prudent approach in the absence of a properly determined lower bound for LB based on SMW considerations. We hope that the provision of clear guidelines to companies could help reduce such technical problems. Moreover, if this approach is adopted for one year only, the possible uncertainties may be contained. With the experience gained and the relevant information gathered in the 2012 PTS, we hope that PTSC would be better able to assess the impact of excluding data points affected by SMW adjustment, and

recommend an appropriate level of the lower bound for LB in the next review for adoption in the 2013 PTS.

Survey Field

14. The 2011 PTS was the fifth year that smaller companies (with 50 to 99 employees) were included in the survey field, alongside with those larger companies (with 100 or more employees), in the ratio of 25 : 75, with the flexibility of a deviation of around plus/minus 5 percentage points. The inclusion of smaller companies has enhanced the credibility and representativeness of the PTS. We support the PTSC's recommendation to maintain the status quo. We understand that PTSC would continue to monitor the impact of the inclusion of smaller companies in the survey field.

Salary Bands

15. We support the PTSC's recommendation to continue with the current approach to collect data based on five salary bands while consolidating data and calculating the PTIs based on three salary bands. This will provide more yearly figures for further examination of the feasibility of aligning the methodologies of the PTS and the PLS.

Data Consolidation

16. In accordance with the established methodology, PTS adopts a weighted employee-based approach in data consolidation. We note that it is in line with the professional and market practices to continue to adopt the weighted employee-based approach for PTS. We support PTSC's recommendation to maintain the status quo for the 2012 PTS.

Employees Covered

17. Under the existing methodology, PTS does not cover employees whose basic salaries are beyond the highest pay point for the non-directorate civil servants. We support PTSC's recommendation to maintain the status quo for the 2012 PTS.

Components of Pay Adjustment

18. We support PTSC's recommendation that long-term incentive awards (LTIs) should continue to be excluded from the calculation of PTIs while additional payments should continue to be included in the PTI calculation. Operationally, we understand that PTSC will continue to collect information on LTIs in lieu of additional payments for reference and monitor internal relativities/external relativities issues.

Conclusion

19. In conclusion, we recommend that, for the 2012 PTS, the 2011 PTS methodology should continue to be adopted subject to the exclusion of data points affected by SMW adjustment, and the collection of relevant information on SMW, so as to identify an appropriate level for the lower bound for LB to be adopted to exclude SMW adjustment for future PTS from 2013 onwards.

Yours sincerely
Nicky

(Nicky Lo Kar-chun)
Chairman

