

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

REPORT No. 55

REPORT 2015

CHAIRMAN

DR WILFRED WONG YING-WAI, GBS, JP

FEBRUARY 2016

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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29 February 2016

The Honourable C Y Leung, GBM, GBS, JP
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 2015.

Yours faithfully,



(Wilfred Wong Ying-wai)
Chairman

Standing Commission on Civil Service
Salaries and Conditions of Service

Encl.

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

(Membership as at November 2015)



Front Row: Prof Suen Wing-chuen Miss Elaine Chan Dr Wilfred Wong
Ying-wai, GBS, JP (Chairman) Mr Wilfred Wong
Kam-pui, JP Mr Joseph Lo

Back Row: Ms Winnie Ng, JP (Secretary
General) Ms Angela Lee,
BBS, JP Mr T C Chan,
BBS, JP The Hon Tony Tse,
BBS Mr Lee Ming-kwai,
GBS Ms Florence Chan
(Assistant Secretary
General)

Other
Members: Mr Lee Luen-fai Dr Carrie Willis,
SBS, JP

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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 fifty-fifth report. It gives an account of our major undertakings in 2015. During the year, the Commission held five Commission meetings, three staff consultation meetings in relation to the 2015 Starting Salaries Survey, and three informal meetings with the civil service staff bodies.

1.3 The Commission's membership in 2015 is at **Appendix B**. All eleven Commission Members are non-officials appointed in their personal capacity by the Chief Executive.

1.4 We would like to thank Mr Clement Cheung, JP, Secretary for the Civil Service, and his predecessor, Mr Paul Tang, as well as their staff for their assistance and co-operation. Our appreciation also goes to Ms Winnie Ng, JP, Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (the Joint Secretariat), and her staff for their support during the year.

Chapter 2

2015 Starting Salaries Survey

Background

2.1 As set out in our Report No. 53 “Report 2014”, the Commission was invited by the Government to conduct the 2015 Starting Salaries Survey (SSS) and to advise on how the survey findings should be applied to the non-directorate civilian grades of the civil service. The Commission accepted the Government’s invitation in February 2015 and the SSS was the focus of the Commission’s work in 2015.

2.2 Under the *Improved Civil Service Pay Adjustment Mechanism (Improved Mechanism)*¹, an SSS is conducted every three years to compare the starting salaries of non-directorate civilian grades of the civil service with the entry pay of jobs in the private sector requiring similar qualifications. This was the third time the Commission conducted an SSS under the *Improved Mechanism*, following the completion of the 2009 and 2012 SSSs.

Proceedings of Meetings

2.3 The Government advised that the 2015 SSS only covered non-directorate civilian civil service, and would consult the Standing Committee on Disciplined Services Salaries and Conditions of Service (SCDS) on the application of the survey findings to the disciplined services. The Commission invited the SCDS to nominate a member as an observer for the 2015 SSS. The SCDS nominated Dr Chui Hong-sheung, JP, as the observer, who participated in the relevant meetings of the Commission and was kept posted on the progress throughout the exercise.

¹ The *Improved Mechanism* was endorsed by the Executive Council in 2007, and comprises, among others, the conduct of (a) a Pay Level Survey (PLS) every six years; (b) an SSS every three years; and (c) the annual Pay Trend Survey.

Consultation with Stakeholders

2.4 The Commission firmly believed that staff consultation was crucial to the smooth conduct of the 2015 SSS. The Commission closely engaged and exchanged views with the Staff Sides of the four Central Consultative Councils² and the four major service-wide staff unions³ (Staff Sides) throughout the conduct of the 2015 SSS. Three stages of consultation covering different aspects of the survey were held as follows –

- (a) Stage 1 (March 2015) – proposed framework for the 2015 SSS;
- (b) Stage 2 (July 2015) – detailed survey methodology, proposed list of private sector organisations for the survey field and application framework; and
- (c) Stage 3 (December 2015) – issues relating to the application of the survey findings.

2.5 The Commission also maintained close liaison with the Employers' Federation of Hong Kong (EFHK), the Hong Kong Institute of Human Resource Management (HKIHRM) and the Hong Kong People Management Association (HKPMA), and exchanged views with them on the prevailing practices of conducting pay surveys in the private sector.

Conduct of the 2015 SSS

2.6 The Commission appointed Aon Hewitt Hong Kong Limited (the Consultant) in May 2015 to provide professional advice on the survey methodology and to collect data from the private sector for the 2015 SSS. The Commission noted that the survey methodology adopted for the 2012 SSS, which used the Qualification Benchmark System as the basis for data collection and pay comparison, had proven to be effective as a whole. It therefore accepted the Consultant's recommendation that the same

² The four Central Consultative Councils are the Senior Civil Service Council (SCSC), the Model Scale 1 (MOD 1) Staff Consultative Council, the Police Force Council and the Disciplined Services Consultative Council.

³ The four major service-wide staff unions are the Government Employees Association, the Hong Kong Civil Servants General Union, the Hong Kong Federation of Civil Service Unions and the Government Disciplined Services General Union.

methodology should continue to be used for the 2015 SSS for a consistent approach.

2.7 Under the Qualification Benchmark System, basic ranks in the civil service were broadly divided into different Qualification Groups (QGs) according to their entry requirements based primarily on minimum educational qualifications and/or experience requirements. With the Government's recent refinements⁴ to the QGs incorporated, basic ranks in the civil service were broadly divided into 11 QGs. The data collection stage covered QGs 1 to 9, with a total of 268 basic ranks. The remaining two QGs, namely QG 10 (Education Grades) and QG 11 (Other Grades), were not included due to their unique nature and/or disparate entry requirements.

2.8 To ensure functional comparability between entry-level jobs in the private sector and civil service, the survey adopted a Job Family (JF) classification to complement the minimum qualification requirements in identifying comparable private sector jobs. Only private sector entry-level jobs with similar qualification requirements as a particular QG and comparable in terms of functions to those identified under the JFs for that QG were used for comparison.

2.9 Using 1 April 2015 as the survey reference date, the Consultant successfully collected pay data from 139 organisations, which covered a wide range of economic sectors in Hong Kong. After verification, a total of 10 927 valid data points were used for analysis.

Survey Findings

2.10 The survey findings showed that except for QG 8 (Degree and Related Grades), the differences in private sector pay and civil service benchmark pay for the other QGs ranged from +3.6% to -5.2%, which were considered insignificant. As for QG 8, the private sector pay was lower than the civil service benchmark by about \$3,900 (15.3% or representing three pay points on the Master Pay Scale (MPS) for the civil service).

⁴ In inviting the Commission to conduct the 2015 SSS, the Government also invited the Commission to consider their proposal to make a few refinements to the grouping and labelling of certain QGs under the Qualification Benchmark System and consider adopting the same for the conduct of the 2015 SSS. Noting that such refinements aimed to duly reflect the prevailing qualification refinements for civil service jobs and none of them would cause any changes to the existing entry requirements or starting salaries of any civil service grades, the Commission agreed to adopt the refined QGs for the 2015 SSS.

Application Framework

2.11 In considering how the survey findings of the 2015 SSS should be applied, the Commission was of the view that a holistic approach should continue to be adopted. To this end, a number of principles and considerations which together formed the basis of a holistic approach were formulated. The Commission had sought and suitably taken into account comments from the Staff Sides on these principles and considerations, which were broad comparability with the private sector, attractiveness and stability of civil service pay, inherent differences between the civil service and private sector and their uniqueness, nature of the SSS, inherent discrepancies in statistical surveys and elements of chance, as well as overall interest.

Recommendations

2.12 Having reviewed the survey findings and taking into account the principles and considerations under the holistic approach, the Commission was of the view that except for QG 8, the differences in private sector pay and civil service benchmark pay were insignificant and hence no adjustment should be made to the civil service benchmarks of these QGs.

2.13 There was a relatively larger difference between the private sector pay and civil service benchmark of -15.3% for QG 8. The Commission considered that a broader and longer-term perspective should be adopted for degree grade jobs which generally had a longer career path allowing the incumbents to rise to middle and senior management positions. The Commission observed that even though a degree graduate joining the Government might initially enjoy a pay lead over its private sector counterpart at the point of entry, within a matter of a few years, it was possible that the pay lead might diminish. The Commission considered it appropriate to set the starting salaries for QG 8 at a reasonably attractive level to retain and motivate talents not only at entry but also further down the career path.

2.14 The Commission also observed from the recent SSSs that QG 8 exhibited distinctive features and characteristics in contrast with the other QGs. The total cash compensation for QG 8 in the private sector consistently recorded a larger dispersion as compared with the other QGs. This larger dispersion reflected the nature of this QG, i.e. degree graduates in

QG 8 were employed in a wide range of starting positions across all sectors with diverse pay practices, leading to highly varied remunerations. QG 8 also consistently recorded a lower growth rate in the market pay in between SSSs as compared with the other QGs. The Commission also observed that lowering the existing benchmark of QG 8 would result in the new benchmark being equal to or even lower than the benchmarks of QGs requiring lesser qualifications such as Higher Diploma or Associate Degree.

2.15 Having balanced all the relevant considerations, the Commission recommended that (a) a cautious and prudent approach be taken and no change be made to the benchmark of QG 8; and (b) following the conclusion of the 2015 SSS, a specific study be conducted for QG 8, to allow a thorough understanding of the distinctive features and characteristics of this QG and how these should be taken into account in determining the benchmark pay of QG 8 in future SSSs.

2.16 The Commission's Report No. 54 "Civil Service Starting Salaries Survey 2015" was submitted to the Chief Executive and published on 26 February 2016. This Report is available for public access on the Joint Secretariat's website at <http://www.jsscs.gov.hk>. A press release was issued and a media briefing held on the day of publication of the Report.

Chapter 3

Informal Meetings with Civil Service Staff Bodies and Other Activities

Liaison with the Major Civil Service Staff Bodies

Background

3.1 Since 1992, the Commission has held regular informal meetings with the Staff Sides of the Senior Civil Service Council (SCSC) and the Model Scale 1 Staff Consultative 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

3.2 The Commission understands from the previous rounds of informal meetings that the implementation of five-day week in the Government and conditioned hours of work for MOD 1 grades were key concerns to staff. As part of the follow-up actions after the 2014 round of informal meetings, the Commission invited representatives from the Government to conduct a briefing on the two issues at a meeting in April 2015. The briefing has enhanced the Commission's understanding of the Government's policies and the challenges faced by the departmental management. During the meeting, the Commission encouraged the Government to strive for further improvements and maintain close dialogues with the staff in the process.

The Current Round of Informal Meetings

3.3 The Commission continued to maintain liaison with civil service staff bodies through informal meetings. At the 2015 round of informal meetings, the Commission exchanged views with the staff bodies on, among others, annual civil service pay adjustment, extension of the service of civil servants, implementation of five-day week, conditioned hours of work, provision of medical and dental benefits as well as training and development. In particular, the staff representatives continued to express their wish for the five-day week initiative to be taken forward further.

3.4 The Commission found the exchange of views with the staff bodies very fruitful. Their views will be conveyed to the Government for consideration and follow-up as appropriate.

Liaison with External Stakeholders

3.5 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 surveys. For example, the Commission met with representatives from the Employers' Federation of Hong Kong, the Hong Kong Institute of Human Resource Management and the Hong Kong People Management Association to exchange views on the findings of the 2015 Pay Trend Survey and the survey methodology of the 2015 SSS in June 2015.

Chapter 4

Pay Trend Survey System

4.1 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 the Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters, the Government deducts the values 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

4.2 The Pay Trend Survey Committee (PTSC) is an independent committee established by the Government on the Commission's advice in 1983. Its Chairman and Alternate Chairman are nominated from Members of the Commission. Mr Wilfred Wong Kam-pui, JP and Dr Carrie Willis, SBS, JP, have been the Chairman and Alternate Chairman of the PTSC respectively since August 2012 and January 2013. The PTSC also comprises representatives of the Standing Committee on Disciplined Services Salaries and Conditions of Service, the Civil Service Bureau (CSB) and the Staff Sides. Its composition is at [Appendix C](#).

4.3 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 CSB and the Staff Sides on any pay adjustment based on the survey results. The PTSC held seven meetings in 2015.

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

Pay Survey and Research Unit

4.5 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 increment 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

4.6 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.

4.7 In the 2012 PTS, an exclusion category was added to exclude employees affected by Statutory Minimum Wage (SMW), which came into effect on 1 May 2011. The approach to exclude SMW-affected employees continues to be adopted in subsequent PTSs. Since the 2014 PTS, another exclusion category has been added to exclude new recruits who are not subject to pay adjustment decisions during the survey period as a result of company policy.

The 2015 Pay Trend Survey

4.8 The 2015 PTS, commissioned by the PTSC in February 2015, was conducted between February and May 2015. It followed the improved PTS methodology with the refinements as mentioned in paragraph 4.7.

4.9 A total of 105 companies, comprising 82 larger companies (78%) and 23 smaller companies (22%), participated in the 2015 PTS. The PSRU collected information on pay adjustments in these 105 companies (comprising 167 443 employees) over the 12-month period from 2 April 2014 to 1 April 2015 and analysed the data in accordance with the improved methodology. The survey findings were released on 19 May 2015, and considered and validated by the PTSC on 26 May 2015. A summary of the results of the survey is at **Appendix D**.

4.10 With the approval of the Chief Executive-in-Council in June 2015 and the funding support of the Finance Committee of the Legislative Council in July 2015, the 2015-16 civil service pay adjustment took retrospective effect from 1 April 2015. The approved salary increases were 3.96% for 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 are shown at **Appendix E**.

Review of Survey Methodology

4.11 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 Commission before the conduct of the next PTS. The PTSC completed the review in December 2015.

4.12 After careful deliberations, the PTSC recommended that the methodology of the 2015 PTS should be adopted for the 2016 PTS, with a refinement to one of the exclusion categories such that new recruits who are awarded pay adjustment on a pro rata basis as a result of company policy will be excluded starting from the 2016 PTS.

The Commission's Views on the Review of PTS Methodology

4.13 The Commission supported the PTSC's recommendation. A copy of the Commission's letter dated 4 January 2016 tendering advice to the Government on the review of the PTS methodology is at **Appendix F** (with key features of the methodology at **Annex** to the letter).

Chapter 5

Future Programme of Work

5.1 In the year ahead, the Commission shall continue to carry out its responsibilities under the Commission's terms of reference and tender advice on any proposals from the Government for changes to the pay and conditions of service for individual grades or for the civil service as a whole.

5.2 The Commission shall also keep the methodology of the Pay Trend Survey under review to ensure that the data collected are as credible as possible.

5.3 As in the past, the Commission shall maintain its contact with the major civil service staff bodies and interested private sector organisations to keep abreast of developments relating to the discharge of its 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 2015

Chairman

Dr Wilfred Wong Ying-wai, GBS, JP

Members

Mr T C Chan, BBS, JP

Miss Elaine Chan Wing-yi

Mr Lee Luen-fai

Mr Lee Ming-kwai, GBS

Ms Angela Lee Wai-yin, BBS, JP

Mr Joseph Lo Kin-ching

Professor Suen Wing-chuen

The Hon Tony Tse Wai-chuen, BBS

Dr Carrie Willis Yau Sheung-mui, SBS, JP

Mr Wilfred Wong Kam-pui, JP

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 Civil Service Bureau

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 2015 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 2015 PTS was the 38th of its kind.

Survey Period

2. The survey covered a 12-month period from 2 April 2014 to 1 April 2015.

Participating Companies

3. A total of 105 companies took part in the survey including 82 larger companies (with 100 or more employees) and 23 smaller companies (with 50 to 99 employees) in the ratio of 78 : 22. The pay data of their 167 443 employees were used in the calculation of the 2015 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 2015 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 \$19,410 per month |
| (b) | <u>Middle Salary Band (I)</u> (MPS Points 10 to 23) | \$19,410 – \$37,620 per month |
| (c) | <u>Middle Salary Band (II)</u> (above MPS Point 23 to Point 33) | \$37,621 – \$59,485 per month |
| (d) | <u>Upper Salary Band (I)</u> (above MPS Point 33 to Point 44) | \$59,486 – \$91,590 per month |
| (e) | <u>Upper Salary Band (II)</u> (above MPS Point 44 to GDS(O) ¹ Point 39) | \$91,591 – \$118,840 per month |

5. Data collection commenced in February 2015 and ended in May 2015. 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 2015. 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 following pay

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

adjustments had been made in the surveyed companies during the period from 2 April 2014 to 1 April 2015 –

| | | |
|-----|--|----------------------|
| (a) | Lower Salary Band (below \$19,410 per month) | + 4.73% |
| (b) | Middle Salary Band (\$19,410 to \$59,485 per month) | + 5.06% |
| (c) | Upper Salary Band (\$59,486 to \$118,840 per month) | + 4.42% ² |

8. The PTSC met on 26 May 2015 to verify and validate the 2015 PTS findings. The two representatives of the Commission, the representative of the Standing Committee on Disciplined Services Salaries and Conditions of Service, the two representatives of the Civil Service Bureau, the Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, the three Staff Side representatives of the Model Scale 1 Staff Consultative Council, and one Staff Side representative of the Senior Civil Service Council validated the survey findings. In line with the established practice, the PTSC submitted its Report to the Government for consideration.

Pay Trend Indicators

9. The findings of the PTSs were known as the gross PTIs. In accordance with the recommendations of the Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters, the Government, after deducting the values of civil service increments at their payroll cost, which were 1.71%, 0.94% and 1.00% respectively for the lower, middle and upper salary bands in 2015, arrived at the net PTIs as follows –

| | | |
|-----|--------------------|---------|
| (a) | Lower Salary Band | + 3.02% |
| (b) | Middle Salary Band | + 4.12% |
| (c) | Upper Salary Band | + 3.46% |

² In considering the 2015 PTS Report, the PTSC noted that a company had adjusted the data it submitted in 2014. The PTSC decided to include this adjustment in the calculation of the 2015 PTIs. Accordingly, the gross PTI for the Upper Salary Band was increased by 0.04%, i.e. from 4.42% to 4.46%. Both the PTIs derived from the 2015 PTS and the adjusted PTIs were submitted together by the PTSC to the Government for consideration.

**Civil Service Pay Scales Relevant to the Commission’s Purview
(with effect from 1 April 2015)**

| <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 | 117,080 | 13 | 15,065 | 4 | 10,260 |
| 48 | 113,010 | 12 | 14,765 | 3 | 9,405 |
| 47 | 109,090 | 11 | 14,460 | 2 | 8,505 |
| 46 (44B) | 105,260 | 10 | 14,180 | 1 | 7,645 |
| 45 (44A) | 101,620 | 9 | 13,900 | 0 | 7,210 |
| 44 | 95,215 | 8 | 13,640 | | |
| 43 | 91,910 | 7 | 13,385 | | |
| 42 | 88,125 | 6 | 13,120 | | |
| 41 | 84,480 | 5 | 12,855 | | |
| 40 | 80,990 | 4 | 12,600 | | |
| 39 | 77,650 | 3 | 12,325 | | |
| 38 | 74,210 | 2 | 12,075 | | |
| 37 | 70,955 | 1 | 11,815 | | |
| 36 (33C) | 67,745 | 0 | 11,570 | | |
| 35 (33B) | 64,745 | | | | |
| 34 (33A) | 63,095 | | | | |
| 33 | 62,235 | | | | |
| 32 | 59,445 | | | | |
| 31 | 56,770 | | | | |
| 30 | 54,220 | | | | |
| 29 | 51,805 | | | | |
| 28 | 49,465 | | | | |
| 27 | 47,235 | | | | |
| 26 | 45,130 | | | | |
| 25 | 43,105 | | | | |
| 24 | 41,215 | | | | |
| 23 | 39,360 | | | | |
| 22 | 37,590 | | | | |
| 21 | 35,890 | | | | |
| 20 | 34,180 | | | | |
| 19 | 32,560 | | | | |
| 18 | 31,020 | | | | |
| 17 | 29,560 | | | | |
| 16 | 28,140 | | | | |
| 15 | 26,785 | | | | |
| 14 | 25,505 | | | | |
| 13 | 24,280 | | | | |
| 12 | 22,900 | | | | |
| 11 | 21,550 | | | | |
| 10 | 20,305 | | | | |
| 9 | 19,160 | | | | |
| 8 | 17,995 | | | | |
| 7 | 16,890 | | | | |
| 6 | 15,845 | | | | |
| 5 | 14,905 | | | | |
| 4 | 13,970 | | | | |
| 3 | 13,120 | | | | |
| 2 | 12,310 | | | | |
| 1 | 11,575 | | | | |
| 0 | 10,885 | | | | |

| <u>Training Pay Scale</u> | | <u>Technician Apprentice Pay Scale</u> | |
|---------------------------|-----------|--|-----------|
| <u>Point</u> | <u>\$</u> | <u>Point</u> | <u>\$</u> |
| 16 | 26,720 | 4 | 12,975 |
| 15 | 25,445 | 3 | 11,830 |
| 14 | 24,220 | 2 | 10,690 |
| 13 | 23,165 | 1 | 9,835 |
| 12 | 21,745 | 0 | 9,230 |
| 11 | 19,960 | | |
| 10 | 18,325 | | |
| 9 | 17,260 | | |
| 8 | 16,200 | | |
| 7 | 15,210 | | |
| 6 | 14,290 | | |
| 5 | 13,400 | | |
| 4 | 12,590 | | |
| 3 | 11,830 | | |
| 2 | 11,085 | | |
| 1 | 10,425 | | |

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.19

尊函檔號 Your Ref. : CSBCR/PG/4-085/001/75

4 January 2016

Mr Cheung Wan-ching, Clement, JP
Secretary for the Civil Service
9th Floor, West Wing
Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Clement,

Review of the Methodology of the Pay Trend Survey

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

The PTS is part of the civil service pay adjustment mechanism, and is conducted annually to ascertain the average year-on-year pay movements in the private sector. 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. The Pay Trend Survey Committee (PTSC), a tripartite forum comprising representatives from independent advisory bodies, the Staff Sides and the Government, may propose changes to the PTS methodology for consideration by the Standing Commission. The Standing Commission will in turn tender its advice to the Government. As an established practice, the PTSC, as assisted by the Pay Survey and Research Unit, conducts a review of the PTS methodology after each round of PTS in preparation for the next and will put forth its recommendation in the form of a report to the Standing Commission for its consideration. Over the years, a number of refinements have been made to the PTS methodology in accordance with this well-established mechanism.

The PTSC has conducted the latest round of review, and recommended that the methodology of the 2015 PTS should continue to be adopted for the 2016 PTS, with a refinement to one of the exclusion categories such that new recruits who are awarded pay adjustment on a pro rata basis as a result of company policy will be excluded starting from the 2016 PTS. Further details of this refinement, together with the key features of the 2016 PTS methodology, are set out at **Annex**.

Having considered the PTSC's review report, we are pleased to inform you that the Standing Commission supports the PTSC's recommendation on the methodology for the 2016 PTS. The Standing Commission also wishes to place on record its appreciation of the dedication and professionalism of PTSC Members involved in this important review exercise.

Separately, the Standing Commission has taken note of the concern raised by some of the staff sides about the practice of deducting the cost of increment to arrive at the net Pay Trend Indicators, which has been in place since 1989. It considers that the practice is not part of the PTS methodology. That withstanding, the Standing Commission asks that the Government maintain an active dialogue with the staff sides and explore if a pragmatic and balanced option acceptable to both the civil service and community at large could be worked out.



(Wilfred Wong Ying-wai)
Chairman

Encl.

**Review of the Methodology of the Pay Trend Survey
conducted by the Pay Trend Survey Committee**

Key Features of the PTS Methodology

Overall

- (a) The 2015 Pay Trend Survey (PTS) methodology should continue to be adopted for the 2016 PTS.

Survey Field

- (b) Smaller companies should continue to be included in the survey field, and the ratio of 75 : 25 between the number of larger and smaller participating companies with a flexibility of deviation of plus or minus 5 percentage points should be maintained. The situation will be kept under close monitoring and the ratio of 75 : 25 under the current PTS methodology will be revisited in the next round of review.
- (c) A company with its number of surveyed employees falling below 50 should continue to be included in the calculation of Pay Trend Indicators (PTIs) so long as it fulfills all the criteria stipulated in the methodology. Companies with number of surveyed employees falling below 50 will be reported at the meeting prior to distribution of the Controller's Report (Pre-meeting) for the Pay Trend Survey Committee (PTSC)'s deliberation on a case-by-case basis.
- (d) The Pay Survey and Research Unit (PSRU) will continue to report, both at the meeting to review the survey field and at the Pre-meeting, companies which had accumulated three or more occupational safety-related convictions in the past five years for the PTSC's deliberation on a case-by-case basis.
- (e) The existing incremental approach to address the over-representation of the "Financing, insurance and real estate" sector and the under-representation of the "Professional and business services" sector in the survey field should continue.

New Recruits

- (f) New recruits who are not subject to pay adjustment decisions as a result of company policy (i.e. not pay-trend-related factors) should continue to be excluded from the survey.
- (g) Starting from the 2016 PTS, a refinement should be introduced to (f) above, that is, new recruits who are awarded pay adjustment on a pro rata basis as a result of company policy (i.e. these employees are awarded a lower rate of adjustment as compared with other full-time employees with one year's service or more because of their shorter length of service and not because of the pay-trend-related factors) should be excluded from the survey. This exclusion will have the effect of intensifying the resultant basic pay indicator regardless of whether the indicator is positive or negative (i.e. this would have a positive effect to the basic pay indicator if the indicator is positive for the year, and a negative effect if the indicator is negative for the year).

Components of Pay Adjustment

- (h) The PSRU will continue to request the surveyed companies to provide more detailed information in the context of the 2016 PTS, such as the breakdown of salary adjustments attributable to inscale increment and merit payment.
- (i) The existing practice of excluding long-term incentive awards from the calculation of PTIs should be maintained.
- (j) The PSRU will continue to request companies to report any significant changes in their full-time employees' conditions of service during the survey period.

Companies Conducting Exercises on Internal Relativities/External Relativities (IR/ER)

- (k) The PSRU will continue to keep in view the reporting of any "IR/ER adjustments" by the companies and, in the event that the data received are considered questionable or inconsistent with the methodology, report relevant cases to the PTSC for a decision as to whether the companies concerned should be excluded from the PTI calculation.

Percentage of Employees Promoted During the Survey Period

- (l) The definition of promotion will be included in the guidance notes on completion of the questionnaire (guidance notes) to further enhance companies' understanding of the concept of promotion.
- (m) Both the questionnaire and guidance notes will be strengthened to set out clearly that whilst pay adjustments attributable to promotion are not included, the annual pay adjustments of these promotees as a result of the pay-trend-related factors should still be provided under item 4 of the questionnaire for the calculation of PTIs.
- (n) The percentage of employees promoted during the survey period will continue to be reported at the Pre-meeting for the PTSC's reference.

Companies Amending/Supplementing Information Regarding Data Reported in Past PTSs

- (o) The PSRU will report cases of companies reporting significant changes in the information/data concerning additional pay of the previous year under item 5(a) of the questionnaire (i.e. "Employee category", "Number of surveyed employees", "Additional payments", and "Effective date") at the Pre-meeting for the PTSC to consider, on a case-by-case basis, whether the inclusion of the companies concerned in the calculation of PTIs would be appropriate under the PTS methodology.

Comparison of Additional Payments for Employees in a Salary Band of an Employee Category in the Current PTS with Absence of Data Point in the Same Employee Category and Salary Band in the Previous PTS

- (p) The existing practice of comparing additional payments for employees in a salary band of an employee category in the current PTS with absence of data point in the same employee category and salary band in the previous PTS will be maintained.
- (q) The PSRU will report at the Pre-meeting (i) the number of cases in which the year-on-year change of additional

payments for the employees concerned is calculated with the assumption that they had not been awarded any additional payment in the previous year for the PTSC's reference; and (ii) cases in which agreement could not be reached with the companies on how the year-on-year change of additional payment for the employees concerned should be calculated for the PTSC's deliberation on a case-by-case basis.

