

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

REPORT No. 56

REPORT 2016

CHAIRMAN

DR WILFRED WONG YING-WAI, GBS, JP

FEBRUARY 2017

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 2017

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 2016.

Yours faithfully,



(Wilfred Wong Ying-wai)
Chairman
Standing Commission on Civil Service
Salaries and Conditions of Service

Encl.

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STANDING COMMISSION ON CIVIL SERVICE
SALARIES AND CONDITIONS OF SERVICE

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Standing Commission on Civil Service Salaries and Conditions of Service

(Membership as at November 2016)



Front Row: Mr Tony Tse, BBS Mr Wilfred Wong Kam-pui, JP Dr Wilfred Wong Ying-wai, GBS, JP (Chairman) Prof Suen Wing-chuen, JP Mr Lee Luen-fai

Back Row: Ms Winnie Ng, JP (Secretary General) Ms Angela Lee, BBS, JP Mr T C Chan, BBS, JP Mr Lee Ming-kwai, GBS Mr Joseph Lo Ms Elaine Lo Ms Florence Chan (Assistant Secretary General)

Other Member: 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-sixth report. It gives an account of our major undertakings in 2016. During the year, the Commission held four meetings, including one Commission meeting and three informal meetings with the civil service staff bodies.

1.3 The Commission's membership in 2016 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 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

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

2.1 During the year, the Government invited the Commission to advise on a proposal to reduce the conditioned hours of work of the Supplies Attendant (SA) grade. The Commission also 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.

Reduction of the Conditioned Hours of Work of the Supplies Attendant Grade

Background

2.2 There is no uniform conditioned hours of work in the civil service. Specific conditioned hours of work are laid down for different grades of civil servants according to operational requirements and other relevant considerations.

2.3 It is the Government's policy that a proposal to reduce the conditioned hours of work of a particular grade would be considered against the three prerequisites of cost-neutrality, no additional manpower and maintaining the same level of service to the public (the three prerequisites). For parity consideration and proper management of the civil service, the conditioned hours of work for all members of the same grade should be the same (the "same grade, same conditioned hours of work" principle).

The Government's Proposal

2.4 In response to a request of the Model Scale 1 Staff Consultative Council (MOD 1 Council), the Government conducted a review in mid-2013 to assess whether it would be feasible to reduce the conditioned hours of work of MOD 1 staff from 45 hours net per week to 45 hours gross per week.

Following the review, the Government found that four MOD 1 grades might have their conditioned hours of work reduced. The Government launched a one-year trial scheme on 1 January 2015 to test the viability of the proposed reduction. Only the SA grade completed the trial scheme as all the staff in three of the four grades had retired from the civil service before or during the course of the trial scheme.

2.5 Upon completion of the trial scheme, the Government was satisfied that the proposed reduction of the conditioned hours of work of the SA grade was in compliance with the three prerequisites and the “same grade, same conditioned hours of work” principle. In March 2016, the Commission was invited to advise on the Government’s proposal to permanently reduce the conditioned hours of work of the SA grade from 45 hours net per week to 45 hours gross per week, with their other conditions of service remaining unchanged.

The Commission’s Advice

2.6 The Commission considered the Government’s proposal by circulation of paper in March 2016. The Commission noted that the conditioned hours of work of MOD 1 grades had been one of the key concerns of the staff bodies and the issue had indeed been frequently touched upon in the Commission’s rounds of informal meetings with them in recent years. In view of the strong staff sentiment, the Commission convened a meeting to specifically follow up on this issue in April 2015, and encouraged the Government to strive for further improvements whilst engaging the staff bodies in the process.

2.7 In view of the Commission’s previous deliberations, the success of the trial scheme and the Government’s assessment that the proposed reduction of the conditioned hours of work of the SA grade was in full compliance with the three prerequisites and the “same grade, same conditioned hours of work” principle, the Commission replied to the Government on 31 March 2016 tendering its support for the proposal (**Appendix C**). As for the remaining MOD 1 grades for which it was presently considered not feasible to have their conditioned hours of work reduced to 45 hours gross per week, the Commission trusted that the Government would keep an open mind, review their cases from time to time and continue to maintain an active dialogue with the staff bodies.

Liaison with the Major Civil Service Staff Bodies

Background

2.8 Since 1992, the Commission has held regular informal meetings with the Staff Sides of the Senior Civil Service Council (SCSC) and the MOD 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

2.9 The Commission understands from the previous rounds of informal meetings that the implementation of five-day week (FDW) in the Government and conditioned hours of work of the MOD 1 grades have been key concerns to staff. As part of the follow-up actions after the last round of informal meetings, the Commission requested the Government to advise on the actions taken in respect of these two matters. The Commission was pleased to note that the Food and Environmental Hygiene Department launched a one-year FDW trial scheme in July 2016 for around 430 staff of its Hawker Control Task Forces. The Commission was also pleased to note that with its support for the reduction in the conditioned hours of work of the SA grade (as mentioned in paragraph 2.7 above), the Government has implemented the reduction proposal with effect from 15 April 2016.

The Current Round of Informal Meetings

2.10 The Commission continued to maintain liaison with civil service staff bodies through informal meetings. At the 2016 round of informal meetings, the Commission exchanged views with the staff bodies on, among others, annual civil service pay adjustment, extension of service of civil servants, implementation of FDW, conditioned hours of work, Grade Structure Review (GSR), provision of medical and dental benefits as well as

training and development. In particular, the staff representatives continued to express their wish for the FDW initiative to be taken forward further.

2.11 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.

Other Activities

Liaison with External Stakeholders

2.12 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 Starting Salaries Survey and the 2016 Pay Trend Survey in June 2016.

Grade Structure Review for Marine Officer and Surveyor of Ships Grades

2.13 On 28 December 2016, the Government invited the Commission to conduct a GSR for the Marine Officer and Surveyor of Ships grades and to submit its findings and recommendations to the Chief Executive within 2017. In February 2017, the Commission accepted the Government's invitation to conduct the GSR.

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 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 (including 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, 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 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 D**.

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 CSB and the Staff Sides on any pay adjustment based on the survey results. The PTSC held seven meetings in 2016.

3.4 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

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 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

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 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 2016 Pay Trend Survey

3.8 The 2016 PTS, commissioned by the PTSC in February 2016, was conducted between February and May 2016. It followed the improved PTS methodology with the refinements as mentioned in paragraph 3.7, as well as 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 are excluded.

3.9 A total of 109 companies, comprising 80 larger companies (73%) and 29 smaller companies (27%), participated in the 2016 PTS. The PSRU collected information on pay adjustments in these 109 companies (comprising 151 934 employees) over the 12-month period from 2 April 2015 to 1 April 2016 and analysed the data in accordance with the improved methodology. The survey findings were released on 19 May 2016, and considered and validated by the PTSC on 25 May 2016. A summary of the results of the survey is at **Appendix E**.

3.10 With the approval of the Chief Executive-in-Council and the funding support of the Finance Committee of the Legislative Council in June 2016, the 2016-17 civil service pay adjustment took retrospective effect from 1 April 2016. The approved salary increases were 4.19% for civil servants in the upper salary band and 4.68% for those in the middle/lower salary bands. The revised pay scales relevant to the Commission's purview are shown at **Appendix F**.

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 Commission before the conduct of the next PTS. The PTSC completed the review in December 2016.

3.12 After careful deliberations, the PTSC recommended that the methodology of the 2016 PTS should continue to be adopted for the 2017 PTS.

The Commission's Views on the Review of PTS Methodology

3.13 The Commission supported the PTSC's recommendation. A copy of the Commission's letter dated 3 January 2017 tendering advice to the Government on the review of the PTS methodology is at **Appendix G** (with key features of the methodology at **Annex** to the letter).

Chapter 4

Future Programme of Work

4.1 As mentioned in Chapter 2, the Commission recently accepted the Government's invitation to conduct a GSR for the Marine Officer and Surveyor of Ships grades. This exercise will be a major commitment for the Commission in 2017.

4.2 Separately, upon the completion of the 2013 Pay Level Survey (PLS) and the 2015 Starting Salaries Survey (SSS), the Commission tendered its recommendations in October 2014 and February 2016 respectively, which were accepted by the Government in full. Looking ahead, it is understood that the Government is actively considering the Commission's recommendation on the need to conduct a review on various aspects of the PLS and SSS before the next rounds of surveys, and will invite the Commission to take on relevant tasks in due course.

4.3 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.

4.4 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.

4.5 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 2016

Chairman

Dr Wilfred Wong Ying-wai, GBS, JP

Members

Mr T C Chan, BBS, JP

Miss Elaine Chan Wing-yi (until 31 July 2016)

Mr Lee Luen-fai

Mr Lee Ming-kwai, GBS

Ms Angela Lee Wai-yin, BBS, JP

Mr Joseph Lo Kin-ching

Ms Elaine Lo Yuen-man (since 1 August 2016)

Professor Suen Wing-chuen, JP

Mr Tony Tse Wai-chuen, BBS

Dr Carrie Willis Yau Sheung-mui, SBS, JP

Mr Wilfred Wong Kam-pui, JP

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

本會檔號 Our Ref. : JS/SC6/PS/1

尊函檔號 Your Ref. : CSBCR/PG/5-025-006/4 Pt. 10

31 March 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,

**Proposed Reduction of Conditioned Hours of Work
of Supplies Attendant Grade**

The Standing Commission on Civil Service Salaries and Conditions of Service has considered the Government's proposal to permanently reduce the conditioned hours of work of the Supplies Attendant (SA) grade from 45 hours net to 45 hours gross per week, with their other conditions of service remaining unchanged. I am writing on behalf of the Commission to tender our advice in accordance with our terms of reference.

Background

2. The Commission notes that there is no uniform conditioned hours of work in the civil service. Specific conditioned hours of work are laid down for different grades of civil servants according to operational requirements and other relevant considerations. The Commission also notes that it is the Government's policy that a proposal to reduce the conditioned hours of work of a particular grade would be considered against the three prerequisites of cost-neutrality, no additional manpower and maintaining the

same level of service to the public (the three prerequisites). For parity consideration and proper management of the civil service, the conditioned hours of work for all members of the same grade should be the same (the “same grade, same conditioned hours of work” principle).

The Government’s Proposal

3. The conditioned hours of work of the Model Scale 1 (MOD 1) grades are 45 hours net per week. Following a review of the conditioned hours of work of the MOD 1 grades in mid-2013, the Government found that four MOD 1 grades, namely Barber, Explosives Depot Attendant, Gardener and SA, might have their conditioned hours of work reduced to 45 hours gross per week. The Government then launched a one-year trial scheme on 1 January 2015 to test the viability of the proposed reduction of the conditioned hours of work. Since all staff in three of the four grades had retired from the civil service before or during the course of the trial scheme, only the SA grade completed the trial scheme.

4. Upon completion of the trial scheme, the Government is of the view that the proposed reduction of the conditioned hours of work of all staff in the SA grade is in compliance with the three prerequisites and the principle mentioned in paragraph 2 and recommends the permanent reduction of the conditioned hours of work of the SA grade to 45 hours gross per week.

The Commission’s View

5. The Commission notes that the conditioned hours of work of MOD 1 grades has been one of the key concerns of staff bodies. The issue has indeed been frequently touched upon in the Commission’s rounds of informal meetings with staff bodies in recent years. In view of the strong staff sentiment, the Commission convened a meeting to specifically follow up on this issue on 13 April 2015. Subsequent to the meeting, the Commission wrote to the Civil Service Bureau on 8 June 2015, to convey its views and to encourage the Government to strive for further improvements whilst engaging the staff bodies in the process.

6. In view of the Commission’s previous deliberations, the success of the trial scheme and the Government’s assessment that the proposed

reduction of the conditioned hours of work of the SA grade is in full compliance with the three prerequisites and the “same grade, same conditioned hours of work” principle, the Commission supports the proposal to permanently reduce the conditioned hours of work of the SA grade from 45 hours net to 45 hours gross per week.

7. As for the remaining MOD 1 grades for which it is presently considered not feasible to have their conditioned hours of work reduced to 45 hours gross per week, the Commission trusts that the Government will keep an open mind, review their cases from time to time and continue to maintain an active dialogue with the staff bodies.

Yours sincerely,

A handwritten signature in black ink, reading "Wilfred Wong". The signature is written in a cursive style with a prominent underline at the end of the name.

(Wilfred Wong Ying-wai)
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 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 2016 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 2016 PTS was the 39th of its kind.

Survey Period

2. The survey covered a 12-month period from 2 April 2015 to 1 April 2016.

Participating Companies

3. A total of 109 companies took part in the survey including 80 larger companies (with 100 or more employees) and 29 smaller companies (with 50 to 99 employees) in the ratio of 73 : 27. The pay data of their 151 934 employees were used in the calculation of the 2016 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 2016 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 \$20,305 per month |
| (b) | <u>Middle Salary Band (I)</u>
(MPS Points 10 to 23) | \$20,305 – \$39,360 per month |
| (c) | <u>Middle Salary Band (II)</u>
(above MPS Point 23 to Point 33) | \$39,361 – \$62,235 per month |
| (d) | <u>Upper Salary Band (I)</u>
(above MPS Point 33 to Point 44) | \$62,236 – \$95,215 per month |
| (e) | <u>Upper Salary Band (II)</u>
(above MPS Point 44 to
GDS(O) ¹ Point 39) | \$95,216 – \$127,250 per month |

5. Data collection commenced in February 2016 and ended in May 2016. 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 2016. 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 2015 to 1 April 2016 –

(a)	Lower Salary Band (below \$20,305 per month)	+ 4.90%
(b)	Middle Salary Band (\$20,305 to \$62,235 per month)	+ 5.69%
(c)	Upper Salary Band (\$62,236 to \$127,250 per month)	+ 5.28%

8. The PTSC met on 25 May 2016 to verify and consider validating the 2016 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 two Staff Side representatives of the Senior Civil Service Council validated the survey findings. One Staff Side representative of the Senior Civil Service Council validated the survey findings with reservation. 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 1.82%, 1.01% and 1.09% respectively for the lower, middle and upper salary bands in 2016, arrived at the net PTIs as follows –

(a)	Lower Salary Band	+ 3.08%
(b)	Middle Salary Band	+ 4.68%
(c)	Upper Salary Band	+ 4.19%

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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尊函檔號 Your Ref. : CSBCR/PG/4-085/001/77

3 January 2017

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 2016 PTS should continue to be adopted for the 2017 PTS. The key features of the 2017 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 2017 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.

Yours sincerely,

Wilfred Wong

(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 2017 PTS Methodology

Overall

- (a) The 2016 Pay Trend Survey (PTS) methodology should continue to be adopted for the 2017 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 around plus or minus five percentage points) should be maintained. The situation will be kept under close monitoring to see if a review of the ratio of 75 : 25 will be warranted in future.
- (c) 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” and “Information and communications” sectors in the survey field should continue.
- (d) The Pay Survey and Research Unit (PSRU) will continue to recommend suitable prospective companies that meet all the selection criteria, including both private companies and public/non-government organisations, for the Pay Trend Survey Committee (PTSC)’s consideration and endorsement before inviting them to participate in the PTS.

Components of Pay Adjustment

- (e) The PSRU will continue to request the surveyed companies to provide more detailed information in the context of the 2017 PTS, such as the breakdown of salary adjustments attributable to inscale increment and merit payment, for the PTSC’s reference.

Companies Conducting an Exercise on Internal Relativities/External Relativities (IR/ER)

- (f) 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, bring up the relevant cases for the PTSC’s consideration.

Reporting of Companies in the Agreed Survey Field

- (g) To enhance transparency, it has been the established practice for the PSRU to report the latest information on companies in the survey field to the PTSC at the meeting prior to submission of the Controller’s Report (Pre-meeting) for the PTSC’s information and/or deliberation on whether the inclusion of any particular company in the calculation of Pay Trend Indicators is in accordance with the survey methodology. The PSRU will continue to provide the information as listed on a checklist as agreed by the PTSC and to report additional cases that warrant the PTSC’s attention at the Pre-meeting.
- (h) The PSRU will continue to report to the PTSC at the Pre-meeting if a participating company is found to have undergone significant changes in economic activities, salary structure, or company size, including cases in which the above changes are brought about by the addition/reduction of subsidiary companies.
- (i) An additional threshold for interpreting “significant change in company size” should be introduced such that companies with a change in size by 500 or more in the number of full-time employees as compared with the previous year should be reported at the Pre-meeting for the PTSC’s consideration.

Percentage of Employees Promoted During the Survey Period

- (j) The PSRU will continue to explain clearly to the companies the definitions of pay adjustments as a result of the pay-trend-related factors as opposed to those following a promotion.

- (k) The percentage of employees promoted during the survey period will continue to be reported at the Pre-meeting for the PTSC's reference.

