

# Report on Reviewing the Civil Service Pay Level Survey and Starting Salaries Survey



## Contents

<b>Executive Summary</b>	<b>6</b>
Background and Scope of Current Study	6
Part I: Review on Methodologies of the PLS and the SSS	7
Part II: Specific Study on QG 8	11
Part III: Civil Service Pay Arrangement in Overseas Countries	15
<b>1. Introduction</b>	<b>16</b>
1.1. Civil Service Pay Policy	16
1.2. Improved Civil Service Pay Adjustment Mechanism	16
1.3. The Current Review on PLS and SSS	17
1.4. Key Tasks and Purposes	17
1.5. Guiding Principles for the Review	18
1.6. This Report	19
1.7. Terminology	19
<b>2. Overview</b>	<b>20</b>
2.1. Overview of Civil Service Pay Surveys	20
2.2. Overview of Private Sector Pay Strategies and Practices	20
<b>Part I: Review on Methodologies of the PLS and the SSS</b>	<b>24</b>
<b>3. Methodology for Comparing Jobs in the Civil Service and the Private Sector for the PLS</b>	<b>24</b>
3.1. Overview	24
3.2. The Existing Methodology	24
3.3. Alternatives	26
3.4. Assessment of Alternatives	35
3.5. Recommendation on the Job Comparison Method for PLS	36
<b>4. Categorisation by Job Family and Job Level</b>	<b>38</b>
4.1. Background	38
4.2. The Existing JF Categorisation	38
4.3. Assessment of JF Categorisation Alternatives	39
4.4. Recommendation on the JF Categorisation	41
4.5. The Current JL Categorisation	42
4.6. Alternative to Five JL Categorisation	43
4.7. Recommendation on the JL Categorisation	46
<b>5. Other Enhancements to the PLS</b>	<b>47</b>
5.1. Broadening the Survey Scope	47
5.2. Suggestions from the Staff Sides	48
<b>6. Criteria for Selection of Jobs</b>	<b>53</b>
6.1. Existing Criteria for the PLS	53
6.2. Observations	53
6.3. Grades to be Excluded	54

6.4.	Existing Criteria for the SSS	56
6.5.	Consideration and Recommendation	56
<b>7.</b>	<b>Selection Criteria for Private Sector Organisations</b>	<b>58</b>
7.1.	Overview	58
7.2.	Review and Consideration	58
<b>8.</b>	<b>Methodology for the SSS</b>	<b>62</b>
8.1.	Previous SSSs	62
8.2.	Qualification Benchmark System	62
8.3.	Staff Sides' Views	63
8.4.	Alternative Approaches to the Qualification Benchmark System	64
<b>9.</b>	<b>Qualification Groups to be covered in the SSS</b>	<b>66</b>
9.1.	The Current QG Categorisation	66
9.2.	QGs covered in previous SSSs	67
9.3.	Consideration and Recommendations	67
<b>10.</b>	<b>The Job Family Classification under SSS</b>	<b>69</b>
10.1.	Existing Practice – eight-JF classification	69
10.2.	Consideration and Recommendation	69
<b>11.</b>	<b>Parameters for Data Collection, Pay Analysis and Comparison</b>	<b>71</b>
11.1.	Pay Components to be Collected for Comparison	71
11.2.	Non-Cash Benefits	71
11.3.	Basis for Comparison	72
11.4.	Vetting Criteria	72
11.5.	Consideration and Recommendation for Vetting Criteria	72
<b>12.</b>	<b>Approaches for Data Consolidation</b>	<b>74</b>
12.1.	Overview	74
12.2.	Considerations	74
<b>13.</b>	<b>Application of Survey Findings</b>	<b>77</b>
13.1.	The 5% Acceptable Range Approach	77
13.2.	The Existing Holistic Approach	77
13.3.	Common Practice in the Private Sector for Pay Survey Application	77
13.4.	Staff Sides' Views	78
13.5.	Limitations of a Pre-determined Range	79
13.6.	Recommendations	79
<b>14.</b>	<b>Frequency for the Conduct of PLS and SSS</b>	<b>81</b>
14.1.	Existing Practice	81
14.2.	Staff Sides' Views	81
14.3.	Practice of Other Governments	82
14.4.	Pros and Cons of Different Framework and Frequencies	83
<b>Part II:</b>	<b>Specific Study on QG 8</b>	<b>87</b>
<b>15.</b>	<b>Background of the Current Study</b>	<b>87</b>

15.1.	SSS	87
15.2.	Observations from the previous SSSs	87
15.3.	Principles and Considerations for Application of the 2015 SSS Results	87
15.4.	Objectives and Scope of the Current Study	90
<b>16.</b>	<b>Methodology for the Specific Study on QG 8</b>	<b>92</b>
16.1.	Overview of the Study	92
16.2.	Ranks in QG 8	93
16.3.	Ranks in QG 3 Group I	93
16.4.	Ranks in QG 4	94
16.5.	Components Collected in the Current Study	94
16.6.	Selecting Private Sector Organisations	95
16.7.	Selecting Private Sector Jobs	96
16.8.	Survey Reference Date	98
16.9.	Vetting Criteria	98
16.10.	Data Consolidation and Analysis	98
<b>17.</b>	<b>Data Collection Process</b>	<b>100</b>
17.1.	Overview	100
17.2.	Profiles of the Participating Organisations	100
<b>18.</b>	<b>Study Results Analysis</b>	<b>103</b>
18.1.	Benchmark Pay of Civil Service QG 8 and Private Sector Pay for Degree Graduate Entry-level Positions	103
18.2.	Pay Variance Analysis for Private Sector Degree Graduate Entry-level Positions	105
<b>19.</b>	<b>Pay Progression of Degree Graduates in the Civil Service (QG 8) and the Private Sector</b>	<b>109</b>
<b>20.</b>	<b>Inherent Differences between the Civil Service and the Private Sector in Human Resources Management Practices</b>	<b>113</b>
20.1.	Overview	113
20.2.	Career Progression	114
20.3.	Staff Turnover	116
20.4.	Training and Development Opportunities	117
20.5.	Limitations in the Analysis	118
<b>21.</b>	<b>Supply and Demand of Degree Graduates</b>	<b>120</b>
<b>22.</b>	<b>Analysis and Observations for QG 3 Group I and QG 4</b>	<b>123</b>
22.1.	Insufficient Market Data for QG 3 Group I and QG 4 in the previous SSSs	123
22.2.	Ranks in QG 3 Group I and QG 4	123
22.3.	Findings from the Specific Study	123
22.4.	QG 3 Group I - Higher Diploma or Associate Degree Grades	123
22.5.	QG 4 - Higher Certificate plus Three Years of Related Work Experience	124
22.6.	Summary	125
<b>23.</b>	<b>Summary of Findings and Recommendations</b>	<b>126</b>

23.1.	Pay Difference between Degree Graduate Entry-level Positions in the Civil Service (QG 8) and the Private Sector	126
23.2.	Impact of the Supply and Demand of Degree Graduates on the Private Market	126
23.3.	Relevance of linking Qualification Levels to Pay in Private Market	127
23.4.	Recommendations on the Approach for the next SSS	127
<b>Part III:</b>	<b>Civil Service Pay Arrangements in Overseas Countries</b>	<b>130</b>
<b>24.</b>	<b>Civil Service Pay Arrangements in Overseas Countries</b>	<b>130</b>
24.1.	Introduction	130
24.2.	Overall Observations in the Five Overseas Countries	130
24.3.	Implications for Hong Kong	133
<b>Annex A:</b>	<b>Glossary of Terms</b>	<b>135</b>
<b>Annex B:</b>	<b>Detailed descriptions of the JLs and JFs</b>	<b>137</b>
	Job Family	137
	Job Levels	138
<b>Annex C:</b>	<b>Sample Duty List Collected from Private Sector</b>	<b>140</b>
	Accountant (corresponding to civil service rank: Accounting Officer II)	140
<b>Annex D:</b>	<b>Key Work Steps in Job Matching Process</b>	<b>141</b>
<b>Annex E:</b>	<b>Existing Civil Service Basic Ranks under QG 8, QG 3 Group I and QG 4</b>	<b>142</b>
<b>Annex F:</b>	<b>Data Collection Kit for the Specific Study</b>	<b>145</b>
<b>Annex G:</b>	<b>Summary of findings on Civil Service Pay Arrangements in Overseas Countries</b>	<b>166</b>
<b>Annex H:</b>	<b>Country Summary – Australia</b>	<b>172</b>
<b>Annex I:</b>	<b>Country Summary – Canada</b>	<b>175</b>
<b>Annex J:</b>	<b>Country Summary – New Zealand</b>	<b>178</b>
<b>Annex K:</b>	<b>Country Summary – Singapore</b>	<b>182</b>
<b>Annex L:</b>	<b>Country Summary – United Kingdom</b>	<b>185</b>

## Executive Summary

### Background and Scope of Current Study

1. In the light of practical experience gathered in conducting a number of pay surveys since the inception of the Improved Civil Service Pay Adjustment Mechanism (the Improved Mechanism), the Government of the Hong Kong Special Administrative Region (the Government) considered that a review on both the Pay Level Survey (PLS) and the Starting Salaries Survey (SSS) should be conducted before the commencement of the next round of the two surveys and thus invited the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) to conduct the review. Hay Group Limited was commissioned by the Standing Commission to provide consultancy support for –

- (a) reviewing the survey methodology and recommending a detailed methodology for the next PLS and SSS;
- (b) reviewing the principles and considerations adopted for applying PLS and SSS findings and commenting whether it is appropriate to make reference to an acceptable range of difference between civil service pay and private sector pay;
- (c) reviewing the frequency for the conduct of the PLS and the SSS and advising on preferred reference dates;
- (d) conducting related research on civil service pay arrangements in five overseas countries to identify practices that may be of relevance to the Hong Kong Special Administrative Region (Hong Kong);
- (e) formulating a detailed methodology for the specific study on Qualification Group (QG) 8 (Degree and Related Grades), including the procedures and methods for collecting data from private sector organisations; and
- (f) conducting a specific study on QG 8 to gain a thorough understanding of the distinctive features and characteristics of this QG. (paragraph 1.4.1)

## Part I: Review on Methodologies of the PLS and the SSS

2. We have reviewed the methodologies of the PLS and the SSS and our main findings and recommendations are set out in the following sections.

### *PLS*

3. Having evaluated the existing broadly-defined Job Family-Job Level (JF-JL) method and five other alternatives in terms of precision of comparison, ease of execution and representativeness of the survey, we **recommend** the continued adoption of the broadly-defined JF-JL method for conducting the future PLS. (paragraphs 3.4.2 and 3.5.8)

4. The existing five JFs categorisation is proven to be effective in data collection in the previous PLSs. We have nonetheless explored two alternatives for categorising jobs in a more refined manner with additional regards to their functions. We consider the six JF categorisation a more practical option than the eight JF option. We **recommend** adopting the six JF categorisation and increasing the number of organisations to be surveyed in the PLS from 70-100 to 100-130. (paragraphs 4.4.4 to 4.4.7 and 7.2.8)

5. We consider that three JLs (similar to the three salary bands as in the PTS) would result in too many jobs with different levels of responsibilities being grouped in one single job level, giving rise to possible distortion and bias. Furthermore, the three JL categorisation can only partially address the straddling issue, which is the major concern expressed by the Staff Sides over the use of the five JLs. On balance, we **recommend** the continued adoption of the five JL categorisation. (paragraphs 4.7.2 to 4.7.5)

6. We **recommend** relaxing two of the existing criteria for selecting civil service benchmark jobs for the PLS. Instead of including only civil service grades with an establishment size of not less than 100 posts, we consider that grades with an establishment of 50 posts or more could also be included. Instead of requiring the benchmark grades to have a sufficient number of jobs at different JLs, single rank grades should also be included in future PLSs. For the rest of the existing criteria, we consider them relevant and appropriate and **recommend** their continued adoption in the next PLS (paragraphs 5.1.2, 5.1.3, 6.2.2 and 6.2.3)

7. With the adoption of the relaxed selection criteria, we **recommend** including a net increase of around 113 more civil service benchmark jobs (comprising 42 entry ranks and 71 promotional ranks) to the 2013 list, making a total of around 303 benchmark jobs for the next PLS. As changes in establishment may affect the suitability of individual ranks for inclusion as benchmark jobs, we **recommend** the consultant of the next PLS to consult the Staff Sides before finalising the list of civil service benchmark jobs for consideration of the Standing Commission using the relaxed criteria before the actual commencement of field work. (paragraphs 5.1.4 and 5.1.5)

8. We **recommend** refining the questionnaire for future PLSs to collect additional information regarding entry-level positions. The data collected will enable the enhanced PLS to provide broad indications as to whether the levels of pay for private sector entry-level positions as classified into different QGs are generally in tandem with the benchmarks for the

corresponding QGs in the civil service. However, these indications will not be taken as a basis for consideration of any adjustment of starting salaries (paragraphs 5.1.6 and 14.3.7)

9. We **recommend** the continued exclusion of Directorate Grades and Disciplined Service Grades which have no direct comparables in the private sector. (paragraphs 6.3.1 and 6.3.4).

10. We also **recommend** the continued exclusion of the education and social welfare fields, as private sector organisations with these direct counterparts follow either civil service pay scales or pay adjustments. (paragraphs 6.3.6 and 6.3.7)

11. For the medical and health care field, we **recommend** that a brief study be conducted by the survey consultant of the next PLS to verify if the medical and health care field, including the Hospital Authority and other large private medical and health care organisations, continue to refer to the civil service pay scales or pay adjustments in their pay determination, before deciding if the medical and health care field should be excluded in the next PLS. (paragraph 6.3.8)

12. We **recommend** the continued adoption of the existing criteria for selecting private sector organisations in the PLS. As a six JF categorisation is recommended for future PLSs, regardless of whether the scope of the PLS is expanded, we also **recommend** to increase the number of organisations to be surveyed from 70-100 to 100-130 in the next PLS. (paragraph 7.2.8)

13. To further enhance transparency and quality assurance in job matching, we encourage participating private sector companies to provide duty lists of their jobs for matching with civil service benchmark jobs. The survey consultant of the next PLS should also provide a detailed guide on the protocol and job matching procedures. (paragraph 5.2.3)

14. We have explored the possibility of separating the job inspection process from the field work of PLS. Taking into account possible concerns from stakeholders involved over the consistency of approach and workload implications, we **recommend** to continue with the existing job inspection process for the next round of the PLS. (paragraph 5.2.12)

15. It is a common private sector practice to collect data with 1 April as the reference date when up-to-date salary increments and pay changes will be captured. We consider that an aligned survey date of 1 April which would provide a more solid understanding of pay survey findings and help the application decisions. Having regard to the Staff Sides' view on building in some flexibility in setting the date, we **recommend** that the detailed arrangements could be determined after taking into account views from the stakeholders (including the Staff Sides) before the onset of the next PLS. The considerations and recommendations proposed for the survey reference date above apply to both the PLS and the SSS. (paragraphs 5.2.17 to 5.2.18)

16. We have examined the pay components, the parameters for data collection and the approach to data consolidation and considered the pros and cons of possible alternatives. We **recommend** no change to the above aspects. (paragraphs 11.2.2, 11.5.2 and 12.2.2)



SSS

17. We have assessed whether there are better alternatives to the existing Qualification Benchmark System as the basis for comparing starting salaries. We consider that the Qualification Benchmark System remains to be the most practical, direct and objective approach for conducting the SSS. (paragraph 8.4.8)

18. Comparable counterparts for QG 10 in the private sector largely follow the civil service pay scale or pay adjustments. It is also extremely difficult to find private sector comparables for QG 11 in view of their unique nature and disparate entry requirements. We therefore **recommend** the continued exclusion of QG 10 and QG 11 in future SSSs. (paragraphs 9.3.2 and 9.3.4)

19. We have studied the job duties of the 268 basic ranks in QGs 1 to 9 surveyed in 2015 SSS and have observed no significant changes. We therefore **recommend** continuing to adopt the eight JF classification for grouping the basic ranks. As there could be potential changes to the job duties before the next survey, we **recommend** that the job duties be re-examined before the next SSS to see if the JFs remain suitable. (paragraphs 10.2.2 and 10.2.4)

20. We consider the existing criteria for selecting private sector jobs for comparison with civil service entry-level jobs suitable in reflecting a broadly comparable pay indicator from the private sector and **recommend** their continued adoption in the next SSS. (paragraphs 6.4.1 and 6.5.1)

21. We also consider the established criteria for selecting private sector organisations for the SSS generally appropriate. Further recommendations to address the data insufficiency for QG 3 Group I and QG 4 are set out in Part II. (paragraphs 7.2.6, 7.2.7 and 11.5.3 )

22. Similar to our observations on the PLS, we **recommend** no change to the pay components, parameters for data collection and the approach to data consolidation. (paragraphs 11.2.2 and 12.2.2)

### *Overall*

23. We fully agree with and **recommend** the continued adoption of the holistic approach by the Standing Commission when applying the results of the PLS and the SSS. Pay adjustment decisions by the Government need to take into account its future needs and challenges and the fundamental differences in recruitment, pay practices and career development between the civil service and the private sector that cannot be fully reflected in pay surveys. (paragraph 13.6.1)

24. We **recommend** that the PLS should continue to be carried out once every six years, and that its scope should be broadened to include more entry ranks. With the proposed enhancement, the PLS should be able to capture and reflect pay adjustment at entry ranks in the private sector more effectively. (paragraphs 14.4.1 and 14.4.10)

25. The SSS is akin to an added assurance to the pay adjustment data obtained from the PLS and the annual PTS. (paragraph 14.4.8)

26. The past two SSSs showed that the starting salaries for the civil service entry ranks, except those in QG 8, had been largely in tandem with the private sector. These findings support the view that the PLS and the PTS taken together already serve to ensure pay comparability between the two sectors, including those at entry level. In view of the above, we have examined the arrangement for the SSS including its frequency and the pros and cons of some options. (paragraphs 14.3.7 and 14.4.9)

27. We do not recommend conducting the PLS and the SSS together because it poses a challenge to resources input from participating private sector organisations, which can also lead to potential confusion in the data collection process. (paragraph 14.4.6)

28. We have examined two other options for frequency of conducting the SSS: conducting the SSS (in alternation with the PLS) at a six-yearly interval instead of triennially, or conducting the SSS as and when necessary in response to specific circumstances. (paragraphs 14.4.8 to 14.4.14)

29. For the first option, the SSS could be conducted less frequently at a six-yearly interval, in alternation with the PLS. For this option, the Government could consider kickstarting the PLS first, in 2019 if possible, while the next SSS could then follow in three years' time. (paragraphs 14.4.11 to 14.4.12)

30. For the second option, the SSS could be conducted as and when necessary (instead of at any pre-set frequency) in response to circumstances that may have an impact on the starting salaries of specific segments of the employment market, or in the light of the broad indications revealed in the enhanced PLS. The SSS could be conducted in a full-scale or of a smaller ambit. (paragraphs 14.4.13 and 14.4.14)

31. The Staff Sides generally support the second option under which the Government can consider if a comprehensive SSS, or an SSS of a smaller ambit is warranted, after reviewing the broad indications as revealed by the enhanced PLS and the specific circumstances. We therefore **recommend** adopting the second option - *conducting the SSS under specific circumstances*. If this option is adopted, the next PLS will be kickstarted in 2019. We also note the Staff Sides' request for their engagement in the process of consideration. (paragraph 14.4.20)

## **Part II: Specific Study on QG 8**

32. In the 2015 SSS, the Standing Commission observed certain unique features and characteristics of QG 8 in the civil service and the degree graduate entry-level positions in the private sector including –

- (a) a relatively larger pay dispersion of degree graduate entry-level positions as compared to other QGs in the private sector;
- (b) a widening pay difference between the civil service benchmark pay of QG 8 and the comparable upper quartile (P75) pay level in the private sector; and
- (c) a lower growth rate of the starting pay of degree graduate entry-level positions as compared to other QGs in the private sector. (paragraph 15.2.1)

33. To gain a better understanding of the phenomenon, the Standing Commission recommended that a specific study on QG 8, using a broader and longer perspective approach, should be conducted. The study result could also be used as the basis to determine whether, in relation to QG 8, the prevailing SSS survey methodology should be improved and how future survey findings should be applied. (paragraph 15.3.2)

34. To ensure consistency and comparability with the results of the previous SSSs, we have adopted the same methodology as in the 2015 SSS for collecting pay data for the current study. A total of 74 private sector organisations, which cover a wide range of economic sectors in Hong Kong, have supplied such data. In addition to the quantitative data, information such as company policy in relation to career progression and promotion, turnover rate, and training and development opportunities for degree graduate entry-level positions in the private sector, has also been collected and analysed. (paragraphs 16.5.2, 16.5.4 and 17.2.2)

### *QG 8*

35. The study shows that the gap between the P75 pay level for degree graduate entry-level positions in the private sector and the civil service benchmark pay of QG 8 (at MPS Point 14) has continued to widen, from -8.8% (\$20,432 vs \$22,405) in the 2012 SSS and -15.3% (\$21,590 vs \$25,505) in the 2015 SSS to the latest figure of -19.8% (\$23,045 vs \$28,725) in 2018. Cumulatively, the pay for degree graduate entry-level positions in the private sector shows a moderate growth of 12.8% during the period from 2012 to 2018, as compared to 28.2% growth for QG 8 in the civil service. (paragraphs 18.1.4 and 18.1.5)

36. The degree of variance (i.e. the ratio of the upper quartile to lower quartile) for the pay of degree graduate entry-level positions has dropped slightly from 1.43 (as recorded in the 2015 SSS) to 1.36, but is still higher than that of most of other QGs as revealed in 2015. (paragraph 18.2.3)

37. In addition to taking a snapshot at the point of entry, we have also tracked the pay progression for the QG 8 ranks and degree graduates in the private sector over an 11-year timeline. While the pay of QG 8 ranks in the civil service consistently leads the degree graduates in the private sector along the first 11 years of the career path before reaching the

managerial level, the pay of degree graduates in the private sector increases at a faster rate than that of QG 8 civil servants, with the gap between the two narrowing from -30.6 % upon entry to -9.8% at the 11th year. (paragraphs 19.1.8 to 19.1.11)

38. The different remuneration practices of the private sector and the Government have contributed to the widening gap between the benchmark pay of QG 8 ranks and the pay of private sector degree graduate entry-level positions. While all qualified degree graduates found suitable for appointment to a QG 8 entry ranks are offered the same pay by the Government, different pay may be offered to different candidates selected in the private sector, within an acceptable range, having regard to factors such as specific skills, personal qualities and attributes, and experience. (paragraph 18.1.6)

39. We observe that multiple factors contribute to the wide dispersion. These factors include the supply and demand for specific professional knowledge and skills, the large variety of roles offered to degree graduates, the different streams of jobs in the same organisation in the private sector and the different pay offered to degree graduates according to their calibre and abilities. (paragraphs 18.2.7 to 18.2.11)

40. Since the 11-year pay progression curve for the private sector is a generalised one, the pay gap identified must be interpreted against important qualitative information such as the inherent differences between the private sector and the civil service in human resources management practices. Such practices will lead to a better understanding of the pay difference from a longitudinal perspective. (paragraphs 19.1.13 and 19.1.14)

41. Unlike the civil service which is establishment-tied, hierarchical and structured, the private sector has highly flexible and varied career paths which are influenced more by individual performance, performance of the organisation and market situation. Management trainee and fast-tracking programmes allow high performers in the private sector to be promoted to the managerial positions in short periods of time and receive significant pay increases but these are not reflected in the 11-year pay curve comparison. (paragraphs 20.2.5, 20.2.8 and 20.2.9)

42. The turnover rates for degree graduate positions in the private sector (ranging from 9.5% to 19.9% from 2015-16 to 2017-18 for positions at different tiers of the non-managerial ladder) are significantly higher than the corresponding civil service rates (1.4% to 1.5%). Degree graduates at the early years of employment tend to switch their jobs for better prospects or pay packages across organisations. (paragraph 20.3.1)

43. Private sector organisations commonly recruit new staff at different levels while civil service recruitment is confined principally to the basic or entry ranks. At the time of intake, candidates in the civil service are assessed on the skills and potential needed for them to rise to the senior positions in their respective grades. (paragraphs 20.1.3 and 20.4.5)

44. Correspondingly, the training provided to new recruits in the civil service is structured and comprehensive, preparing for their career development in the long term. On the other hand, training provided to private sector employees tends to focus on enhancements in technical skills and know-how to enable staff to perform their duties effectively. (paragraphs 20.4.1 and 20.4.4)

45. We have analysed the supply and demand of degree graduates and its implications for the labour market. We note that the number of full-time local university graduates has surged by over 66.1% from 2009-10 to 2015-16. The proportion of degree holders in the workforce has also tripled from 9% to 29% during the period from 1994 to 2015, but the creation of high-end jobs is unable to keep pace with the increased supply of degree graduates. Degree graduates tend to take up jobs requiring less professional knowledge which results in a relatively lower pay package. We expect that the increase in entry pay for degree graduates will remain moderate. (paragraphs 21.1.2, 21.1.4 and 21.1.6)

46. We **recommend** the Standing Commission to continue to adopt a holistic approach in interpreting survey results for degree graduates in the private sector and with greater flexibility in relation to QG 8. (paragraph 23.4.1)

47. In view of the different nature of positions collected under the QG-JF framework, we **recommend** that the feasibility of a more precise selection of private sector jobs for comparison with QG 8 ranks in the civil service should be explored in the next SSS. (paragraph 23.4.3)

#### *QG 3 Group I and QG 4*

48. We are unable to collect sufficient market data for QG 3 Group I and QG 4 in this study, similar to the previous SSSs in 2009, 2012 and 2015. (paragraph 22.3.1)

49. 48.6% of the participating organisations recognise the Higher Diploma or Associate Degree (or its equivalent) for mainly technical or works-related positions, the functions of which are significantly different from those of the ranks in QG 3 Group I. Only 35.1% of the participating organisations have positions for Higher Certificate and Diploma holders, but the post-qualification experience required is substantially less than that for QG 4 positions in the Government. The majority of these positions are technical or works-related while the ranks in QG 4 fall under various JFs. (paragraphs 22.4.1, 22.4.2 and 22.5.1)

50. Instead of employing graduates with a Higher Diploma or Associate Degree, seven participating organisations have recruited a total of 183 employees who possess degree qualifications for JF 4 functions. (paragraph 22.4.5)

51. We consider that given this market trend, the specific QG 3 Group I-JF 4 combination greatly limits the survey field. As long as the public sector remains the major employer in the relevant labour market, it is unlikely that sufficient data can be collected in future SSSs even if the vetting criteria are relaxed to include more private sector organisations. (paragraph 23.4.5)

52. Also, having regard to the popularity of university education and increasing diversity of curriculums, private sector organisations tend to uplift their qualification requirements by targeting degree graduates. The situation of insufficient market data for this QG is likely to persist if the same survey approach is adopted in future SSSs. (paragraph 23.4.6)

53. The qualification of higher certificate for QG 4 is gradually diminishing from the market. The requirement of three years of experience further limits of the data availability. We therefore **recommend** the consultant of the next survey to explore relaxing the vetting

criteria (e.g. from at least 15 surveyed organisations to 10 surveyed organisations) for QG 4. (paragraphs 23.4.7 and 23.4.8)

### **Part III: Civil Service Pay Arrangement in Overseas Countries**

54. We have conducted a research on the civil service pay policies and practices of five countries, namely Australia, Canada, New Zealand, Singapore and the United Kingdom (UK), with particular focuses on the following areas:

- (a) the pay system of civil servants in the countries;
- (b) how the respective governments conduct pay surveys and set starting salaries of jobs; and
- (c) arrangements for pay adjustment and review. (paragraph 24.1.1)

55. The analysis reveals common or prevalent features of the five countries as summarised below.

56. For the majority of the surveyed countries, while the budget and overall pay principle and policy are controlled by a central agency in each country, the responsibility for pay administration is devolved to individual departments and agencies, with the objective of improving flexibility, efficiency and performance. (paragraphs 24.2.3 and 24.2.5)

57. Most countries emphasise affordability as the key consideration for determining pay adjustment. Although comparison with the private sector is one of the considerations, it is not the dominant factor. (paragraph 24.2.8)

58. Clean wage policy has become increasingly popular among the five countries. This ensures employees realise and receive the full value provided by the government and reduces associated administrative cost. (paragraphs 24.2.9 and 24.2.10)

59. All countries regard pay for performance as one of their principles in pay administration. There is a common use of pay ranges which provides greater flexibility for rewarding employees according to their competencies and performance. Pay adjustment is generally linked to performance review every year instead of automatic progression. (paragraph 24.2.11)

60. We do not see a strong reason for Hong Kong to initiate fundamental changes to the management of the civil service solely for the purpose of following international practices. Yet, it is worth noting that less emphasis is put on comparability between the pay of the civil service and the private sector for all the surveyed countries. A higher level of flexibility is also observed in setting pay for the civil service in the five countries. (paragraph 24.3.2)

61. The holistic approach that the Standing Commission has adopted in considering the results of previous rounds of the PLS and SSS, under which a basket of factors are taken into account in the application of the findings, is in tandem with the common trend identified in the surveyed countries. (paragraph 24.3.2)

## **1. Introduction**

### **1.1. Civil Service Pay Policy**

- 1.1.1. The civil service pay policy of the Government of the Hong Kong Special Administrative Region (the Government) is to offer remuneration sufficient enough to attract, retain and motivate staff of suitable calibre in providing the public with an effective and efficient service. To ensure that the remuneration is regarded as fair by both civil servants and the public they serve, relevant policy considerations are in place to maintain the broad comparability between civil service and private sector pay.
- 1.1.2. The relevant policy considerations<sup>1</sup> underpinning the established civil service pay policy are —
- (a) upholding the core values of the civil service;
  - (b) maintaining the stability of the civil service;
  - (c) comparing with the private sector but also recognising the inherent differences between the civil service and private sector;
  - (d) following but not leading the private sector;
  - (e) maintaining internal relativities within the civil service;
  - (f) taking account of the Basic Law and other legal considerations; and
  - (g) taking account of the Government's fiscal position and other considerations.

### **1.2. Improved Civil Service Pay Adjustment Mechanism**

- 1.2.1. In 2007, the Government implemented the Improved Civil Service Pay Adjustment Mechanism (the Improved Mechanism) to further regulate and maintain the comparability of the remuneration of civil servants to that of the private sector.
- 1.2.2. Under the Improved Mechanism, three kinds of surveys are conducted regularly to assess how the civil service pay compares with the private sector pay and determine the upward or downward pay adjustment with reference to the survey findings. The three kinds of surveys are —
- (a) an annual Pay Trend Survey (PTS) to ascertain year-on-year pay adjustments in the private sector;
  - (b) a Starting Salaries Survey (SSS), conducted once every three years, to compare the starting salaries of non-directorate civilian grades in the civil service with the entry pay of jobs in the private sector requiring similar qualifications and, if applicable, experience; and

---

<sup>1</sup> For details, please refer to the Annex to the Legislative Council Brief (File ref: CSBCR/PG/4-085-001/37) issued by the Civil Service Bureau on 24 April 2007 (link at: "[www.csb.gov.hk/english/info/files/paper070424e.pdf](http://www.csb.gov.hk/english/info/files/paper070424e.pdf)").



- (c) a Pay Level Survey (PLS), conducted once every six years, to ascertain whether the salaries of non-directorate civilian grades in the civil service remain broadly comparable with private sector pay.

1.2.3. Since the implementation of the Improved Mechanism, the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) has, at the invitation of the Government, conducted three SSSs (i.e. the 2009, 2012 and 2015 SSSs) and one PLS (i.e. the 2013 PLS) with the assistance of consultants.

### **1.3. The Current Review on PLS and SSS**

1.3.1. With more than ten years of survey experience since the establishment of the Improved Mechanism, the Government considered that a review on both the PLS and SSS should be conducted before the commencement of the next round of the two surveys and thus invited the Standing Commission to conduct the review.

1.3.2. As part of the SSS review, the Government would also like to investigate and understand further the uniqueness of degree graduate entry-level positions. Recent SSSs revealed some unique features and characteristics pertaining to the Qualification Group (QG) 8 (Degree and Related Grades), which are detailed in **Part II**. One key observation in the 2015 SSS was that the total cash compensation in private sector jobs classified under the grouping recorded a relatively larger dispersion, while the rate of salary adjustment for this group was the lowest among all QGs. The Government therefore would like to gather more information on the private market degree graduate entry-positions in order to understand the above phenomenon.

1.3.3. The Standing Commission agreed to take on the task which would cover a review of the methodologies, application issues, frequency of both the PLS and SSS, and a specific study on QG 8.

1.3.4. Hay Group Limited (Hay Group) was commissioned by the Standing Commission in October 2017 to provide consultancy services for the review.

### **1.4. Key Tasks and Purposes**

1.4.1. In accordance with the provisions of the Consultancy Brief, the main tasks of the consultancy services Hay Group provides for the review include —

- (a) reviewing the survey methodology and recommending a detailed methodology for the next PLS and SSS. Issues to be examined in the review include —
  - (i) whether the prevailing survey methodology remains suitable for future adoption in full or requires any refinements;
  - (ii) the criteria for selecting civil service benchmark jobs and private sector organisations for comparison with the private sector;

- (iii) the pay components to be collected, as well as the parameters for comparison between private sector pay and civil service pay;
  - (iv) whether the typical organisation practice approach for consolidation of data remains suitable; and
  - (v) relevant factors that need to be considered in making pay comparison between private sector jobs and civil service positions at different levels;
- (b) reviewing the principles and considerations adopted for applying PLS and SSS findings and commenting whether it is appropriate to make reference to an acceptable range of difference between civil service pay and private sector pay;
  - (c) reviewing the frequency for the conduct of the PLS and SSS and advising on preferred reference dates;
  - (d) conducting related research on civil service pay arrangements in overseas countries to identify practices that may be of relevance to the Hong Kong Special Administrative Region (Hong Kong);
  - (e) formulating a detailed methodology for the specific study on QG 8, including procedures and methods for collecting data from private sector organisations; and
  - (f) conducting a specific study on QG 8 to gain a thorough understanding of the distinctive features and characteristics of this QG.

## **1.5. Guiding Principles for the Review**

1.5.1. In providing consultancy services for the review, we are guided by the following principles –

- (a) the purpose of the PLS and SSS is to ascertain if broad, rather than strict, comparability between civil service pay and private sector pay is maintained. The focus of the two surveys should be a comparison of pay rather than the collection of detailed information on and valuation of benefits and prerequisites;
- (b) the methodology and practices of the 2013 PLS and the 2015 SSS should form the basis of review for drawing up the methodology for future surveys with an aim to ascertain the level of civil service pay (including the starting salaries) vis-à-vis the private sector, while possible alternative approaches or practices are considered and evaluated. In the process, we take into account the objectives of conducting the surveys in the context of the Improved Mechanism, the merits of maintaining a consistent approach with past surveys, the experience gained in the past surveys and the room for adjustments and improvements;
- (c) the inherent differences between the civil service and the private sector in their functions, appointment/remuneration policies and practices, work nature and requirements should be properly acknowledged. It is important

to emphasise that there is no perfect comparison methodology that can address all these inherent differences;

- (d) the Staff Sides should be duly consulted and their views and those of other stakeholders be adequately taken into account;
- (e) the aim of the review is to identify ways to improve the conduct of the surveys (e.g. to enhance the representativeness and reliability) and to enhance practicability, efficiency and effectiveness in conducting them, with a due recognition of possible gaps in market indicators; and
- (f) professional practices should be followed in conducting pay surveys, and confidentiality of the pay and related information collected from participating organisations safeguarded.

## **1.6. This Report**

1.6.1. This Report begins with an overview of civil service pay surveys and typical private sector pay strategies and practices, the latter (and their differences with the civil service) should be adequately recognised when we proceed with the review on methodologies of the PLS and SSS and the interpretation of the findings of the specific study on QG 8.

1.6.2. In Part I of the Report, we will critically examine the methodology adopted by the Government in conducting the PLS and SSS. We will also explore if the existing approach, framework and frequency of the two surveys could be enhanced by making reference to the private sector practice and from the overseas experience as shown in the research on civil service pay arrangements in overseas countries. Part II contains our findings of the specific study on QG 8 and our recommendations as to how best to carry out the SSS in relation to QG 8 in the future and to interpret and apply future findings. Lastly, Part III reports on civil service pay policies in five overseas countries.

## **1.7. Terminology**

1.7.1. For ease of reference, a list of terminology used in this Report is at **Annex A**.

## **2. Overview**

### **2.1. Overview of Civil Service Pay Surveys**

- 2.1.1. For the civil service, the pay policy targets to offer remuneration sufficient to attract, retain and motivate staff of suitable calibre in order to provide the public with an effective and efficient service.
- 2.1.2. To ensure the fairness of the civil service pay, the Government regularly conduct the PTS, PLS and SSS under the Improved Mechanism to serve different objectives.
- 2.1.3. While the PTS measures year-on-year pay adjustments in the private sector, the PLS covers all civil service benchmark jobs including both entry and promotional ranks, for the purpose of comparing civil service jobs with groups of broadly comparable jobs in the private sector. The SSS focuses on the pay levels of private sector entry jobs with similar requirements on qualifications and if applicable experience and could be regarded as a supplementary tool to PLS for providing information specifically on the starting salaries.
- 2.1.4. Since the implementation of the Improved Mechanism in 2007, the Standing Commission has conducted three SSSs (i.e. the 2009, 2012 and 2015 SSSs) and one PLS (i.e. the 2013 PLS) with the assistance of consultants.
  - (a) 2009 SSS (with 1 April 2009 as the reference date);
  - (b) 2012 SSS (with 1 April 2012 as the reference date);
  - (c) 2013 PLS (with 1 October 2013 as the reference date); and
  - (d) 2015 SSS (with 1 April 2015 as the reference date)

### **2.2. Overview of Private Sector Pay Strategies and Practices**

- 2.2.1. While the present review is about the pay surveys for use in the civil service, it may be worthwhile for us, on the basis of our past experience in advising the private sector on pay matters, to take recognisance of how pay in the private sector is generally determined and how pay surveys are conducted and applied.
- 2.2.2. In private sector companies, pay strategies and practices are very often determined by their talent strategy which is in turn shaped by the companies' business strategies and priorities. Given the increased volatility in markets, and the advance of the digital economy, business planning cycles are getting shorter (sometimes even less than a year), and the pressure to compete and achieve commercial success are increasingly greater. These business challenges have considerable impact on how private sector companies address their talent needs and also their pay strategy.
- 2.2.3. With increasing digitalisation, the shelf life of products is getting shorter and companies often have to rapidly create new solutions and approaches to continue to do well. As such, firms may focus on hiring experienced employees and buy talent from the market so they can immediately hit the ground running,

rather than hire at the entry level and build talent and expertise over several years – such hiring focus can impact the demand of entry level roles and subsequently the market pay they can command.

- 2.2.4. Also, private sector businesses are increasingly more focused on delivering an engaging customer experience through multiple channels to defend their market share. Therefore, there is increasing expectation for employees to be multi-disciplinary, or have experience in different functional areas. As such, this has meant when hiring or promoting staff, there is less and less emphasis on just qualifications per se.
- 2.2.5. We also note that companies are increasingly willing to make trade offs between an entry level candidate with a higher qualification, with a candidate who has lower qualification but more relevant experience, as the rapidly changing digital economy has meant academic qualifications attained in schools have less relevance when graduates enter the workforce.
- 2.2.6. Another key difference in talent management in the private sector is that talent mobility across job functions is less prevalent than in the civil service. Job rotation is formally practised in the civil service to engage the workforce and provide learning and development opportunities. Whereas in the private sector, the pressing demands of the business often mean that job rotation is not really prioritised and widely practised. Employees in the private sector who are moved less frequently tend to acquire greater functional expertise and depth, and some of these skills can be highly valued in the market if they are scarce and in demand. This often can result in substantial pay premiums for such job families/skills sets, and private sector companies are willing to practise a differentiated reward approach to attract and retain such talent – internal pay parity within common job levels is thus not a priority in pay management.
- 2.2.7. Lastly in the gig economy, we observe that organisations will be more willing to get work done through different types of contracting arrangements, besides the traditional full-time employment contract. Some of these alternatives include outsourcing, short-term or project-based contracting, and freelancers / gig workers engagement. Market salary surveys which currently focus on traditional full-time roles will evolve over time and future Government pay surveys may need to take this into consideration.

#### *Salary Adjustment Surveys*

- 2.2.8. Most private sector organisations can hardly afford to conduct comprehensive and lengthy studies for pay benchmarking due to the considerable time and resources required. As a regular health check, organisations usually make reference to the salary adjustment surveys conducted by third parties to monitor market movements. Taking into account their human resources practices, organisations then make use of this piece of information to prepare the annual budget, determine the performance bonus, and adjust the pay increments.

### *Remuneration Surveys*

- 2.2.9. Apart from the salary adjustment surveys, private sector organisations may also conduct remuneration surveys from time to time to ascertain if their pay policy and actual payouts are competitive in the market. These remuneration surveys have a similar objective as that of the PLS conducted by the Government.
- 2.2.10. Private organisations normally benchmark their pay with the private market by comparing against job levels regardless the job families (i.e. through pay levelling comparison as detailed in **Chapter 3**) in the private market to determine if the existing pay range for a particular job level is competitive.
- 2.2.11. Other private sector organisations pay special attention to certain job families that are the key revenue or business drivers and are relevant to their sectors. For example, a private architectural organisation may want to take a closer look at the market pay for architects, surveyors and engineers because these are the pivotal positions for the operation of the organisation and as such pay for this targeted group must be sufficiently competitive. They typically do so by tracking the pay levels of these job families and closely monitoring changes across them, as well as changes to the job levels within the families.
- 2.2.12. It is uncommon for private organisations to conduct remuneration surveys or to collect pay information focusing specific jobs or ranks only. Alternative methods adopted by the private sectors are discussed in **Chapter 3**.

### *Determining Starting Salaries*

- 2.2.13. When setting starting salaries, the key objective of private organisations is to compete with competitors in the market in order to recruit available candidates with the most suitable ability and potential and at the right cost. Considerations such as demand and supply, the candidate's attributes including qualification, experience, skills, exposure, interests or assessment results would influence decisions on pay. For senior levels, the consideration would also include retention and motivation to ensure that the staff stay with the organisation and perform to achieve targeted results.
- 2.2.14. Private organisations seldom conduct standalone pay surveys focusing on starting salaries, but the regular comprehensive remuneration surveys (as discussed in **paragraphs 2.2.9 to 2.2.12**) often cover starting pay, annual pay adjustment and pay level alignments.
- 2.2.15. Private organisations usually have the autonomy and flexibility to leverage on the whole pay range in determining the pay for a specific incumbent based on the basket of factors discussed in **paragraph 2.2.13**. Ad-hoc pay adjustments are common in the private market, to be effected typically when the competition for talents is keen. In determining their starting salaries, private organisations usually pick the lower band of the pay range for hiring a candidate, with the flexibility to move up or down along the pay range based on various factors (e.g. incumbents' working experience, market demand for the skills possessed etc.). The use of pay ranges gives room for salary progression within the job

level for this individual if he or she is going to stay with the company for a few years.

*Overall Observation*

- 2.2.16. To summarise, private sector organisations are more willing to consider other factors when adjusting pay. While they have the same needs as the Government to assess and adjust regularly the remuneration and the starting salaries for specified functions, jobs or incumbents, private organisations in general are more flexible in offering a more diverse range of pay.

## **Part I: Review on Methodologies of the PLS and the SSS**

### **3. Methodology for Comparing Jobs in the Civil Service and the Private Sector for the PLS**

#### **3.1. Overview**

- 3.1.1. One of the guiding review principles, as stated in **paragraph 1.5.1(a)**, in conducting the PLS and SSS is to ascertain if broad, rather than strict, comparability between the civil service pay and the private sector pay is maintained. Any review of the methodologies of the two surveys has to ensure that the principle will not be undermined and that the private sector jobs and the civil service jobs selected for both surveys are broadly comparable.
- 3.1.2. At the staff consultation meetings held in November 2017 and February 2018, the Staff Sides reiterated the uniqueness of the duties, job nature and requirements of some civil service jobs in comparison with those in the private sector. We fully recognise that there are inherent differences between jobs in the two sectors. For example, in the civil service, specific grades might involve the performance of law enforcement and regulatory duties that are unique in nature, resulting in the difficulty to identify their exact counterparts in the private sector. Furthermore, high standards of integrity and conduct are expected of civil servants in the delivery of public services. Such uniqueness renders it difficult and impractical to find their exact counterparts in the private sector when conducting the surveys (see also **paragraph 1.5.1(c)**).
- 3.1.3. In determining the appropriate methodology for data collection in the PLS, a careful balance needs to be struck between the extent of comparability of the jobs in the civil service with those in the private sector on the one hand, and the practicality of getting a pay comparison indicator on the other, with the objective of maintaining a broad comparability between civil service pay and private sector pay. As such, a reasonable and practical approach is to seek to obtain information from groups of broadly and reasonably comparable jobs between the civil service and the private sector.
- 3.1.4. In this review, we would like to begin by examining the survey methodology of the PLS.

#### **3.2. The Existing Methodology**

- 3.2.1. The existing methodology for job comparison in the PLS (the one used in the 2013 PLS) was modelled on that of the 2006 PLS, i.e. the broadly-defined Job Family-Job Level (JF-JL) method. This method was then reviewed by the consultant appointed for the 2013 PLS who considered comments received from the Staff Sides and other relevant stakeholders. Its continued adoption in the 2013 PLS was recommended by the 2013 PLS consultant and eventually accepted by the Standing Commission. A brief introduction of the existing



methodology, the broadly-defined JF-JL method, is set out in **paragraphs 3.2.2 to 3.2.3** below.

*The Broadly-defined Job Family-Job Level Method*

- 3.2.2. Under this method, jobs are combined or clustered together by categorising them into broadly-defined JF based on their broad nature, and JL based on their general level of responsibility. Comparison of pay information is carried out by the following steps –
- (a) identifying jobs that are representative of the civil service (civil service benchmark jobs) and that have reasonable private sector matches;
  - (b) carrying out an intensive job inspection process which serves to ascertain details of the job characteristics of civil service benchmark jobs to facilitate identification of private sector job matches;
  - (c) based on the findings of the job inspection process, civil service jobs are then matched with broadly comparable counterparts in the private sector in terms of job content, work nature, level of responsibility, and typical requirements on qualification and experience;
  - (d) the pay information of matched private sector jobs is collected; and
  - (e) the matched private sector jobs are aggregated by JFs and JLs, and then consolidated into private sector pay indicators for different JLs. The aggregated private sector pay indicator for each JL will then be compared to the corresponding civil service pay indicator.
- 3.2.3. Under this broadly-defined JF–JL method, civil service benchmark jobs in the civilian grades on the Master Pay Scale (MPS) and Model Scale 1 (MOD 1) Pay Scale are categorised into five JLs and five JFs, primarily based on their broad nature of work and general level of responsibility respectively, for matching with broadly comparable counterparts in the private sector. The combinations of JFs and JLs are shown in the matrix below –

Table 1 The existing job comparison methodology for PLS (five JF-five JL approach)

	JF 1 Clerical and Secretarial	JF 2 Internal Support	JF 3 Public Services	JF 4 Works- related	JF 5 Operational Support
JL 1: (MOD 1 Points 0-13 and MPS Points 0-10) Operational staff					
JL 2: (MPS Points 11-23) Technicians and assistant executives / professionals					
JL 3: (MPS Points 24-33) Middle-level executives and professionals					
JL 4: (MPS Points 34-44) Managerial and senior professionals					
JL 5: (MPS Points 45-49) Senior managers and lead professionals					

3.2.4. Detailed descriptions of the JLs and JFs are at **Annex B**.

#### *Staff Sides' Views*

3.2.5. We are aware that the Staff Sides consider that the broadly-defined JF-JL methodology is not specific enough to reflect the characteristics of the wide range of civil service jobs, and that jobs of a diverse nature are categorised in the same JF.

3.2.6. The Staff Sides also consider that the job matching process is not based on exact matches or precise private sector counterparts, with considerable judgement made by the consultant.

3.2.7. Others comment that when the existing method fails to identify private sector counterparts for certain civil service jobs, applying the survey result under the broadly-defined JF-JL method based on the internal pay relativities alone might be inadequate.

### **3.3. Alternatives**

3.3.1. In this review, we have considered five alternative approaches for job comparison. We examine the merits and limitations of each method to determine if any of them would be a better alternative to the prevailing broadly-defined JFs-JLs approach for comparing jobs in the PLS —

- (a) **Job matching method:** This approach compares the pay level of the civil service benchmark jobs with that of their private sector counterparts that are highly similar in terms of job nature and job content;
- (b) **Job factor comparison method:** This approach compares the pay level of the civil service jobs and private sector jobs with similar scoring in job factors (i.e. sharing the same level of job accountability, and similarities in

job characteristics such as problem-solving skills and know-how required); regardless of the job functions;

- (c) **Qualification benchmark method:** This approach compares the pay level of the civil service jobs against the private sector jobs which share similar entry requirements, regardless of their accountabilities and job duties;
- (d) **A pay band/ levelling method:** This approach compares the pay level of the civil service jobs with private sector ones sharing similar level of responsibilities and expertise, regardless of job functions; and
- (e) **A narrowly-defined JF method:** Similar to the broadly-defined JF method, this approach compares the pay level of the civil service jobs against their private sector counterparts that are within the same discipline and with similar job nature, only with the adoption of a narrower definition.

#### *Job Matching Method*

- 3.3.2. The job matching method compares civil service jobs with their private sector counterparts which are highly similar in job nature and content. The following illustrates the process and steps involved –
  - (a) a set of civil service benchmark jobs that are likely to have close private sector counterparts across job levels is identified;
  - (b) up-to-date information is obtained on the job characteristics and duties of all the civil service benchmark jobs;
  - (c) a standardised job description is prepared in a format suitable for use as a job-matching tool in the private sector; and
  - (d) pay information from the private sector counterparts (identified after job matching) is collected and pay data aggregated to provide the pay indicator of the corresponding civil service benchmark job.
- 3.3.3. Due to the level of complexity and comprehensiveness of the job matching approach, private sector organisations seldom conduct remuneration surveys or collect pay information down to the job or rank level. Pay surveys using this method also require a significant amount of resources in analysing job characteristics and duties and in data collection.
- 3.3.4. Job matching is however sometimes used to design pay for some atypical JFs with no career advancement, where incumbents are expected to stay in one position for a long time. Pay design has to be more reflective of the job itself in these cases.
- 3.3.5. With job matching, there is a higher chance of getting insufficient data points from market counterparts. Some jobs could be very specific and only found in a specific sector (e.g. the teaching and counselling professions), thereby narrowing considerably the target survey pool.
- 3.3.6. Data collection is more complicated and there may be difficulties in the result interpretation and application too. When an individual job is used as the basis for comparison, no regard is given to internal relativity across jobs or how jobs should be levelled up or down. The continual evolution of jobs associated with

the changing work environment also makes such an approach less useful for pay comparison. The recent trend in the private sector, therefore, is a move away from job matching to pay levelling.

3.3.7. The merits and limitations of this approach are summarised below.

Table 2 Merits and limitations of the job matching method

<b>Merits</b>	<b>Limitations</b>
<ul style="list-style-type: none"> <li>▪ Use individual civil service jobs as the basis of comparison. All the jobs are clearly-defined and transparent in the civil service system.</li> <li>▪ Direct job-to-job matching based on a standardised job description is straight-forward.</li> <li>▪ Qualification and experience requirements which form the basis of civil service job levelling can be included in the job description, and such criteria could be taken into account during the job matching process.</li> <li>▪ The job matching result is clear and easy to understand.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Due to the inherent differences between the civil service and the private sector (such as differences in the mode of operation and organisation structure) and uniqueness of certain civil service duties, the coverage of civil service jobs could be very limited due to difficulties in getting a job match from the private sector. Therefore, comparison might not be representative of the civil service pay level.</li> <li>▪ As only those private sector jobs matched to civil service benchmark jobs will be included in the survey, many private sector jobs will not be covered and comparison might not be representative of the private sector pay level either.</li> <li>▪ Considerable resources have to be used to update the job description and job duties of the civil service benchmark jobs, for precise job matching.</li> <li>▪ Some degree of judgement is unavoidable for the job matching process due to the uniqueness of some civil service jobs.</li> </ul>

*Job Factor Comparison Method*

3.3.8. The job factor comparison method compares civil service jobs with their counterparts in the private sector having similar overall value. The overall value of a job is determined by certain common factors which include, but are not limited to, the following —

- (a) technical or specialised know-how;
- (b) functional breadth or complexity of management;
- (c) internal and external relationships;

- (d) thinking processes;
- (e) problem solving scope;
- (f) decision-making authority;
- (g) impact on results; and
- (h) conditions such as exposure to risk, physical effort or obnoxiousness.

3.3.9. The following illustrates the process and steps involved —

- (a) a set of representative civil service benchmark jobs is identified from each discipline or job function across job levels;
- (b) up-to-date information is obtained on the job characteristics and duties of all the civil service benchmark jobs;
- (c) the selected civil service benchmark jobs are evaluated jointly by the consultant, the Government and the Staff Sides based on an agreed methodology to ensure the accuracy of the evaluation and an evaluation score assigned for each job;
- (d) steps (b) and (c) are repeated for the private sector organisations; and an evaluated score assigned for each job; and
- (e) pay information is collected from the private sector counterparts and pay data aggregated to provide the pay indicator of the corresponding range of evaluation points.

3.3.10. Private organisations which use this method normally look into the factors of jobs and determine their values (expressed in dollar terms) with reference to their internal and external relativity.

3.3.11. Similar to the job matching method, the job factor comparison approach is seldom used by private sector organisations as the method for conducting remuneration surveys. The job evaluation involved is complex and requires significant resources. While the survey consultant could be the key person to evaluate the jobs, input is needed from the survey sponsor and the survey participants for the characteristics and duties of the surveyed jobs, which could be time-consuming, placing a heavy burden on the parties concerned. The job evaluation process could also be seen as too technical to be understood easily and subject to judgment, rendering it difficult to make comparison.

3.3.12. As jobs tend to evolve over time, many private sector organisations have been moving towards job levelling instead of precise comparisons based on job factor values.

3.3.13. The merits and limitations of the job factor approach are summarised below.

Table 3 Merits and limitations of the job factor approach

Merits	Limitations
<ul style="list-style-type: none"> <li>▪ A wider range of civil service jobs sharing common job factors with private sector jobs can be included in the survey, increasing the representativeness of the findings.</li> <li>▪ Similarly, a wider range of private sector jobs can be covered in the survey, resulting in more data points.</li> <li>▪ The use of job factor comparison also allows for explicit consideration of differences in the organisation structure or other related aspects between the civil service and the private sector. Those features can be accounted for in the job factors chosen for comparison.</li> </ul>	<ul style="list-style-type: none"> <li>▪ It will take time to agree on the relative weightings of the job factors, to carry out the job evaluation for individual civil service benchmark jobs and private sector jobs and to reach consensus with stakeholders on the evaluation scores for the civil service benchmark jobs.</li> <li>▪ It is difficult to communicate the basis of comparison to those who are not trained or who are not experts in the application of the job evaluation methodology. Depending on how detailed the methodology for allocating evaluation points is and the scope for subjective judgment in this regard, this approach may be criticised for being too subjective.</li> <li>▪ The methodology must be applicable across private sector organisations and across civil service ranks and therefore may not include every job factor that is deemed important within the civil service (e.g. public accountability).</li> <li>▪ Selection of a specific job factor comparison method is tied to the particular consultant appointed to carry out the survey because proprietary techniques have to be involved (unless the civil service develops its own job factor comparison method).</li> <li>▪ The scope of data available for collection from private sector organisations is potentially very large as any and all positions at a given job level can be analysed with the job factor comparison method. This may create a heavy burden on participating organisations.</li> </ul>

*Qualification Benchmark Method*

- 3.3.14. The qualification benchmark method on the basis of QGs is currently used for determining the starting pay for entry-level positions in the civil service.
- 3.3.15. The major steps for implementing the qualification benchmark comparison method include —
- (a) the civil service benchmark jobs are categorised based on the corresponding qualification requirements (e.g. academic qualification, apprenticeship experience, working experience or technical certification);
  - (b) the private sector counterparts with similar qualification requirements are identified; and
  - (c) pay information is collected from the private sector counterparts and the pay data are aggregated to derive the pay indicator of the corresponding civil service jobs with similar qualification requirements.
- 3.3.16. The concept of using the qualification benchmark method in deriving the starting salaries survey comes from the observation in the past that private sector used to determine the starting salaries for the entry-level jobs based on the qualification requirement rather than the job nature or work content. Therefore, this methodology is not suitable for jobs beyond entry-level because few private sector organisations explicitly regulate progression to higher level jobs based on entry-level requirement. With the increased supply of degree graduates in recent years and the recognition of the importance of other personal attributes in result delivery, fewer private sector organisations continue to use qualification requirement as the sole determinant for the starting salaries. Instead, qualification is commonly used as a screening factor for candidate selection and not necessarily for determining pay. Also, private sector organisations rarely conduct a remuneration survey separately and specifically for determining starting salaries. Instead, remuneration survey results are used generally to design salary ranges (minimum and maximum points) for different levels of jobs within the organisation. The merits and limitations of this approach are summarised below.

Table 4 Merits and limitations of the qualification benchmark approach

<b>Merits</b>	<b>Limitations</b>
<ul style="list-style-type: none"> <li>▪ It might be suitable for benchmarking entry-level jobs where the starting salaries for these positions are more related to the qualification requirement than the job nature.</li> </ul>	<ul style="list-style-type: none"> <li>▪ It is unlikely to be suitable for pay comparison for jobs beyond the entry level because relatively few private sector organisations explicitly regulate progression to higher level jobs based on entry requirements.</li> <li>▪ The use of qualification requirement as the key component for determining starting pay is declining in popularity due to the increasing supply of a highly educated workforce (for instance degree</li> </ul>

	<p>graduates) and a recognition of the importance of other attributes. Such a methodology might no longer be a valid representation of starting salaries for entry-level jobs in the private sector.</p> <ul style="list-style-type: none"> <li>▪ The methodology does not compare pay based on the job nature or content but merely on the qualification requirement and might be criticised as less representative of market pay level.</li> <li>▪ This approach is already incorporated in other job comparison alternatives as the qualification requirement is often related to job nature and level of responsibilities.</li> <li>▪ The scope of data available from private sector organisations is potentially very large as any position at a given job level can be analysed if the qualification requirement indicate a match. This may create a heavy burden on participating organisations.</li> </ul>
--	---

*Pay Band/Levelling Method*

- 3.3.17. Pay band/ levelling method is commonly used by private organisations to assess market pay, and to derive their own adjustments for employees.
- 3.3.18. The pay band/ levelling method examines the level of responsibilities and expertise for each position which in turn determines the relativity of jobs within an organisation. It helps to establish a hierarchy of job levels/ grades which accords with the needs and specifics of the organisation in question. It assumes that a common job level could be derived for all jobs carrying similar responsibilities regardless of their functions or job families.
- 3.3.19. Majority of private sector organisations have their own established grading structures. Different grades and levels are developed to reflect their decision hierarchy, professional/ managerial career progression, level of responsibilities and scope of job/ influence in the organisation, ultimately determining the relativity and pay structure of each position.
- 3.3.20. Take **table 5** below as an example, an organisation classifies all its positions into eight grades/ levels after evaluating the internal relativity of each job. Accordingly, each grade is assigned with its respective pay band based on private market competitiveness.



Table 5 Sample illustration of pay band/ levelling in a private sector organisation

Company Grade/Level	Department			
	Executive Management	Finance & Accounting	Marketing	Sales
H	Chief Executive Officer			
G				Sales Director
F		Chief Financial Officer		
E			Head of Marketing	Key Account Manager
D		Financial Controller		
C			Brand Manager	
B		Accountant	Market Analyst	Business Developer
A			Trade Marketing	Sales Rep II

3.3.21. The major steps for implementing a pay band/ levelling method include —

- (a) a representative sample of benchmark jobs is selected from each discipline, profession or functional group across different job levels of the civil service;
- (b) a hierarchy of job levels is identified from the simplest job to the most complex by their internal relativity within their organisation;
- (c) the job levels of the private sector comparable jobs are aligned with the job levels of civil service jobs according to the set level descriptions; and
- (d) the private sector job levels are related to the corresponding pay points on the civil service job levels for pay comparison.

3.3.22. The merits and limitations of this approach are summarised below.

Table 6 Merits and limitations of the pay band/ levelling method

Merits	Limitations
<ul style="list-style-type: none"> <li>▪ It can cover a wide range of civil service jobs, i.e. not limited to jobs that are either closely or broadly comparable to private sector jobs in terms of job content and characteristics.</li> <li>▪ As the methodology can be applied to any job in the private sector, a wider range of private sector jobs can be covered in the survey and more data</li> </ul>	<ul style="list-style-type: none"> <li>▪ It gives a wider representation of civil service jobs in different disciplines and functions, but the private sector counterparts of these jobs may vary in the extent of comparability.</li> <li>▪ Internal grades and levelling in different organisations vary considerably, making it difficult to reach a consensus in level alignment</li> </ul>

<p>be obtained.</p> <ul style="list-style-type: none"> <li>It simplifies job matching from the private sector perspective as jobs are matched to the corresponding job levels by the established job level descriptor regardless of job families or functions.</li> </ul>	<p>and data consolidation.</p> <ul style="list-style-type: none"> <li>The scope of data available for collection from the private sector is potentially very large and may create a heavy burden on the participating organisations.</li> </ul>
---	---

*Narrowly-Defined JF Method*

- 3.3.23. This method is similar to the broadly-defined JF method, except that more narrowly-defined JFs are used, with each JF covering jobs in the same discipline and with similar job nature. The jobs in the same JF may be related by reporting lines, discipline, function, nature of work or career progression.
- 3.3.24. Both the broadly-defined JF method and the narrowly-defined JF method are originated from the job family approach, which clusters similar jobs together into a family of jobs to form a hierarchy of job levels. The narrowly-defined JF method shares the same implementation steps of the broadly-defined JF method as illustrated in **paragraphs 3.2.1 to 3.2.4**, except that the criteria for selecting jobs for a JF are more narrowly defined (i.e. jobs with rather similar job nature are categorised into same JF, e.g. different engineers, different IT professionals, etc.).
- 3.3.25. The JF approach is also commonly used by private sector organisations to conduct remuneration surveys, particularly for specific jobs families or function that are key to the organisation, or for those with recruitment or retention difficulties. To tackle these issues, organisations look closely at the market pay for a selected JF (e.g. IT, sales, etc.) instead of all JFs. This helps to ensure their pay policy could be competitive enough to attract target talents and retain existing ones in a specific field.
- 3.3.26. Others may adopt an overall broadbanding and focus on the sub-bands to ensure internal relativity and to design a pay level that is reflective of the specific nature of the job (for example, professional jobs like teachers, engineers, architects etc.).
- 3.3.27. The merits and limitations of this approach are summarised below.

Table 7 Merits and limitations of the narrowly-defined JF method

<b>Merits</b>	<b>Limitations</b>
<ul style="list-style-type: none"> <li>JFs are defined according to the nature of jobs in the civil service. Job alignment in the private sector is based on specific job descriptions that highlight job characteristics. No special or proprietary techniques are</li> </ul>	<ul style="list-style-type: none"> <li>There are difficulties in finding close matches between civil service jobs and private sector ones as compared to the broadly-defined JF method which covers more private sector jobs.</li> <li>With a more narrowly-defined JF</li> </ul>

<p>required in carrying out the job matching process.</p> <ul style="list-style-type: none"> <li>▪ Qualification and experience requirements can be incorporated directly into the job matching process as these are included in standard survey job descriptions.</li> <li>▪ It simplifies job matching from the private sector perspective as a range of jobs in the same job family at different job levels are to be compared.</li> </ul>	<p>method, there is higher risk of failing to get sufficient data points for each JF.</p> <ul style="list-style-type: none"> <li>▪ The methodology might not be suitable for more senior roles where their accountabilities cover multiple disciplines.</li> <li>▪ Job matches may not be as obvious or precise as compared with the job matching method.</li> <li>▪ This approach involves a greater level of judgement as compared to the job matching method where exact matches are conducted.</li> </ul>
---	---

### 3.4. Assessment of Alternatives

3.4.1. With full regard to the established purpose of the PLS, i.e. to ascertain if broad comparability between civil service pay and private sector pay is maintained, we summarise our assessment on the methods as below —

Table 8 Assessment of different methods

	<b>Job Matching</b>	<b>Job Factor Comparison</b>	<b>Qualification Benchmark</b>	<b>Pay Band /Levelling</b>	<b>Narrowly defined JF</b>	<b>Broadly defined JF</b>
1. Precision of Comparison	Precise	Fair	N/A (job content not compared)	Limited	Precise	Fair
2. Ease of execution	Yes	Complex	Yes	Some alignment difficulties	Yes	Yes
3. Representativeness						
(a) the extent to which comparable private sector matches at different levels can be identified for civil service benchmark jobs	Limited	Good	N/A (for entry level jobs only)	Good	Limited	Good
(b) ability to reflect pay relativity across different JLs	No	Yes	N/A	Yes	No	Yes
(c) the involvement of judgment in the selection of private sector jobs	Minimal	Substantial	N/A	Substantial	Minimal	Minimal

- 3.4.2. In terms of precision of comparison, ease of execution, and representativeness of the survey findings, the existing broadly-defined JF method has its advantages over the other job comparison methods.

### **3.5. Recommendation on the Job Comparison Method for PLS**

- 3.5.1. When evaluating the various job comparison methods, it is important to bear in mind the core objective of the Improved Mechanism which is to ascertain the broad comparability of civil service pay with that in the market. Any method that focuses on comparing individual jobs like job matching and job factor comparison is therefore unsuitable.
- 3.5.2. Both the job matching and job factor comparison methods are not commonly adopted by the private sector for conducting remuneration surveys due to their complexity. The qualification benchmark method is unsuitable for levels of the civil service above the entry level and is also rarely used in the private sector for higher levels. The narrowly-defined JF method provides a more refined but limited matching and is likely to result in problems like significant gaps in survey data.
- 3.5.3. While the pay band/ levelling method is able to generate more data points and hence resolves some of the existing data gaps, the risks associated with this method outweigh its merits. Besides being a more broad-brushed approach than the existing broadly-defined JF-JL method, the pay band/ levelling method relies primarily on comparing the respective JLs regardless of the job function or job family. If adopted, the survey outcome will be less reflective of the nature of quite a many civil service job.
- 3.5.4. We note the Staff Sides' comments on the limitation of the broadly-defined JF-JL method as being a rather broad-brushed approach for comparing civil service pay and private sector pay. Some emphasise that the uniqueness of certain civil service duties (e.g. law enforcement, regulatory work, etc.) cannot be captured and fully recognised under the broadly-defined JF-JL method.
- 3.5.5. We fully recognise that there are inherent differences in jobs between the civil service and private sector, but we also acknowledge that there is no perfect comparison methodology that can address all the constraints. Overall, the broadly-defined JF-JL method has served to ensure broad comparability of civil service pay and private sector pay and, after balancing all relevant considerations, we suggest that the broadly-defined JF-JL method should be maintained.
- 3.5.6. To address the Staff Sides' concern on the transparency of the job matching process, we have looked at how the process could be enhanced by setting out in more detail the steps involved so as to enhance the transparency and the perception of fairness and accuracy.
- 3.5.7. And for those civil service jobs without private sector job matches, it would be of limited value to benchmark them with private counterparts that are not

comparable in job nature. Although pay alignment using internal relativity might not be regarded as the best approach by some quarters of the civil service, the established internal relativity remains a useful indicator of the responsibilities, requirements and working conditions of such civil service grades and a practical option for pay alignment

- 3.5.8. In gist, we believe that the broadly-defined JF-JL methodology is still the most suitable method that serves the purpose of the PLS. We **recommend** its continued adoption for the PLS with appropriate enhancements where appropriate.
- 3.5.9. To address the Staff Sides' comments that this approach is too broad brushed and to enhance pay comparison, we have examined different alternatives to the existing five JF-five JL combinations and they are discussed in the next chapter.

## 4. Categorisation by Job Family and Job Level

### 4.1. Background

- 4.1.1. In **Chapter 3**, we have described the existing methodology for job comparison under the PLS and set out the justifications for retaining the broadly-defined JF-JL method. In this chapter, we will discuss possible enhancements to the PLS methodology making reference to the experience of previous surveys and the views of the Staff Sides. First, we begin by examining the categorisation of surveyed employees into different JFs and JLs (or salary bands).
- 4.1.2. Civil service benchmark jobs are categorised into five JFs and five JLs under the existing PLS, and three JLs under the PTS and eight JFs under the SSS. While we see merits in adopting one standardised set of JLs and JFs for all pay surveys, setting one standard classification may not meet the objective of the surveys simultaneously and may also produce other problems in data collection. For example, relevant details specific to a JF or JL may not be represented under a broad and generic classification while sufficient data may not be obtained under finely classified JF-JL combinations. This is a practical consideration which we have to duly take into account. Therefore, when considering modifications to the JFs and JLs for the surveys, we must take into account the followings —
- (a) the JF structure must be carefully carved up with a view to identifying reasonably comparable jobs;
  - (b) only relevant jobs are selected and screened for comparison;
  - (c) the JF-JL combinations must cater for pay referencing with a broad category of jobs instead of just a certain job or job level;
  - (d) the structure should be clear and logical, and relevant to market practices, without any ambiguity being caused, to ensure consistency in decisions in matching jobs;
  - (e) the JF structure should avoid creating “gaps” in pay data. As we become narrower in our definition, it means that the sample size will be smaller, and data could be insufficient; and
  - (f) the JF structure should provide better alignment in interpreting and applying the survey findings for civil service pay recommendations.

### 4.2. The Existing JF Categorisation

#### *Staff Sides’ Views*

- 4.2.1. The Staff Sides consider that the existing five JF categorisation is too broadly defined and as a result too many different positions of varying job content are currently grouped in a particular JF-JL combination and these different positions are then considered as amounting to a single category for comparison with jobs in the private sector. For example, 19 different positions of varying job contents are grouped under JF 2-JL 3. The resultant comparison using the combined data

of these 19 different positions is perceived as too broad brushed. Refining the existing categorisation is therefore considered as a possible enhancement to the PLS methodology in order to achieve a more precise comparison with the private sector.

*Merits and limitations of the existing JF categorisation*

4.2.2. We have re-examined the existing categorisation into five JFs and set out in **table 9** the merits and limitations of this categorisation.

Table 9 Merits and limitations of the five JF categorisation

<b>Merits</b>	<b>Limitations</b>
<ul style="list-style-type: none"> <li>▪ Five JFs were used in the previous PLSs conducted in 2006 and 2013. Private sector organisations are familiar with such categorisation in the job matching process.</li> <li>▪ The findings of PLSs in 2006 and 2013 show that the five JF categorisation allows an appropriate level of data availability for each of the JF – JL combinations.</li> <li>▪ The five JF categorisation may be considered as a good balance between broadly-defined categorisations and the availability of survey data.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Staff Sides consider that the five JF categorisation is too broadly-defined under which civil service jobs of different job contents and functions are placed under the same JF.</li> <li>▪ Job matches in the private sector are considered not the exact counterparts of the civil service benchmark jobs under this categorisation and the resultant pay comparison is considered as not sufficiently precise.</li> </ul>

**4.3. Assessment of JF Categorisation Alternatives**

4.3.1. To address the Staff Sides’ concern, we have considered refining the categorisation by increasing the number of JFs so that a particular JF-JL combination can better represent jobs in terms of their job contents and functions instead of a wider range of jobs.

4.3.2. One possible option is to increase the number of JFs from five to eight by expanding the “Internal Support” JF into two sub-groups: “Internal Support (Corporate Services)” and “Internal Support (Technical and Operation)” and by expanding the “Public Services” JF into three sub-groups: “Public Services (Social and Personal Services)”, “Public Services (Community)” and “Public Services (Physical Resources)”.

4.3.3. Another option is to increase the number to six JFs by expanding the “Public Services” JF into two sub-groups: “Public Services (Personal, Social and Community)” and “Public Services (Physical Resources)”.

4.3.4. The six JF and eight JF options are illustrated below –

Table 10 Six JF and eight JF options

<b>Five JFs (current categorisation)</b>	<b>Six JFs</b>	<b>Eight JFs</b>
Clerical and secretarial	Clerical and secretarial	Clerical and secretarial
Internal support	Internal support	Internal support (Corporate Services)
		Internal support (Technical & Operation)
Public services	Public Services (Personal, Social & Community)	Public services (Social and Personal Services)
		Public services (Community)
	Public services (Physical Resources)	Public services (Physical Resources)
Works-related	Works-related	Works-related
Operational support	Operational support	Operational support

4.3.5. In examining the existing arrangement and the two alternative options, we have to balance the need to achieve a greater precision by using a refined classification and the risk of failing to obtain sufficient data in some of the JF-JL combinations.

*Comparison of the Five JF Approach, Six JF Approach and the Eight JF Approach*

4.3.6. A comparison of the relative merits of the existing arrangement and the two alternative options is given below.

Table 11 Comparison of categorisation in Five JFs, Six JFs and Eight JFs

	<b>Five JFs</b>	<b>Six JFs</b>	<b>Eight JFs</b>
Precision of job comparison	Status-quo	Slight enhancement	Greater enhancement
Consistency in job matching	Used in previous PLSs and are familiar to the private sector	The private sector will have to adapt to this new categorisation	Used in the SSSs and are familiar to the private sector
Ease of comparability	Results of the PLS could be directly compared to those of the previous PLSs	Since there is a change in the approach, the survey results are not directly comparable to those of the previous PLSs	Since there is a change in the approach, the survey results are not directly comparable to those of the previous PLSs
Risk of having insufficient data points for some JF-JL combinations	An appropriate level of data availability for each of the JF-JL combinations	Risk exists but not as substantial as in the case of eight JFs	Risk exists especially for senior positions where the roles cover more than one function



#### 4.4. Recommendation on the JF Categorisation

- 4.4.1. Under the current PLS methodology, each JF-JL combination is aggregated to provide a single indicator for each JL. The JF categorisation is mainly used for data collection and consolidation.
- 4.4.2. The key for evaluating the three approaches is to strike an appropriate balance between achieving a more refined categorisation of jobs on the one hand and obtaining sufficient data in as many as possible of the JF-JL combinations on the other.
- 4.4.3. While the eight JF categorisation is a more refined one familiar to the private sector, it will also pose a potential risk in the data collection process whereby sufficient data points may not be collected. The more JFs are used, the higher the risk will be of getting insufficient data.
- 4.4.4. In this regard, we consider the six JF categorisation a more practical option than the eight JF option. If a six JF categorisation would be adopted, the proposed increase in the number of organisations to be surveyed in the PLS (to be raised from 70-100 to 100-130) as mentioned in **paragraph 7.2.8** may reduce the risk of having insufficient data points for some JF-JL combinations.
- 4.4.5. Diverse views were expressed by the Staff Sides on the JF categorisation. Some consider that a more refined JF categorisation would enhance the precision in matching the civil service jobs with their private sector counterparts. Others consider that the risk of data insufficiency associated with an increase in the JFs should be assessed in more detail.
- 4.4.6. It is worthy to note that the purpose of PLS is to ascertain if there is a broad comparability of pay between the civil service and the private sector at different levels of jobs instead of a job-by-job comparison. The five JF categorisation is proven to be effective in the data collection processes in the previous PLSs and is familiar to the participating organisations. The more JFs are adopted, the greater the extent to which the jobs within a particular JF-JL combination will resemble each other in terms of their job functions, but at the same time, the higher the risk of failing to obtain sufficient market data for a single combination. The five JF-five JL categorisation adopted in the previous PLSs renders a total of 25 JF-JL combinations. By extending it to a six JF-five JL categorisation, it will result in a total of 30 JF-JL combinations, and for the eight JF-five JL categorisation 40 combinations. In the 2013 PLS, 447 private sector organisations were invited but only 128 of them participated in the survey, and the data supplied matched 17 JF-JL combinations.
- 4.4.7. Hence a prudent approach would be to increase the number of JFs from five to six and to increase the number of private sector organisations to be surveyed from “70 to 100” to “100 to 130” respectively to ensure data sufficiency. While some Staff Sides consider that eight JFs could better reflect the uniqueness of civil service positions, the intended precision may not be achieved due to the lack of sufficient data. Having balanced the need to achieve a greater precision in job comparison and the risk of failing to obtain sufficient data in some of the

JF-JL combinations, the five and the six JF approach are the more practical options compared to the eight JF approach. We therefore **recommend** the Standing Commission to consider adopting the six JF approach as it will slightly enhance the precision of job comparison than the five JF approach.

#### 4.5. The Current JL Categorisation

4.5.1. Apart from reviewing the existing JF categorisation, we will also examine the JL categorisation.

4.5.2. The five JLs currently used in the PLS are listed below.

Table 12 The five JLs currently used in the PLS

<b>JL 1:</b> (MOD 1 Points 0-13 and MPS Points 0-10) Operational staff
<b>JL 2:</b> (MPS Points 11-23) Technicians and assistant executives / professionals
<b>JL 3:</b> (MPS Points 24-33) Middle-level executives and professionals
<b>JL 4:</b> (MPS Points 34-44) Managerial and senior professionals
<b>JL 5:</b> (MPS Points 45-49) Senior managers and lead professionals

4.5.3. The PTS, on the other hand, has a three salary band classification as listed below.

Table 13 The three salary band classification in the PTS

Lower salary band (Below MPS Points 10 or equivalent)
Middle salary band (MPS Points 10 – 33 or equivalent)
Upper salary band (Above MPS Point 33 – General Discipline Service (Officer) Pay Scale Point 39 or equivalent)

#### *Staff Sides' Views*

4.5.4. Some Staff Sides consider that the different JLs/salary bands used for the PLS and PTS have caused confusion. Civil servants with similar job responsibilities may receive different treatment in pay adjustment under the two surveys if the categorisation is not the same.

## 4.6. Alternative to Five JL Categorisation

- 4.6.1. In response to the Staff Sides' request, we have examined the five JL and three salary band approaches and compared their merits and limitations. While we are open-minded to the suggestion, it is worthy to note that the PLS and PTS measure different aspects of private sector pay<sup>2</sup> and the results of the two surveys are used by the Government for different purposes<sup>3</sup>. There may be an operational need for the PLS and PTS to adopt different categorisations in order to achieve their survey purposes.
- 4.6.2. The Staff Sides have raised concerns about the phenomenon whereby different ranks of the same grades straddle two or more JLs in the five JL categorisation. Under the five JL categorisation, 196 of the 303 civil service benchmark ranks proposed for the next PLS (see **paragraph 5.1.3** for details), fit perfectly into the MPS range for their corresponding JLs, while 107 ranks straddle two or three JLs. Alternatively, under the three JL categorisation, 241 ranks fit perfectly into the corresponding JLs with 62 ranks straddling two JLs. The change in categorisation from five JLs to three JLs cannot fully address the concerns of the Staff Sides because the straddling issue can only be addressed partially even with fewer JLs.
- 4.6.3. The existing five JL categorisation allows a reasonable coverage of survey ranks for each JL, and the relativities are well understood and well defined. It serves as a good measure for job matching with the private sector, as supported by the smooth conduct of the PLSs in 2006 and 2013 and is familiar to the private sector. The existing categorisation is able to select comparable private sector jobs at similar levels in the organisational hierarchy carrying similar levels of responsibility for comparison with the corresponding civil service benchmark jobs. With higher granularity, application of the survey results can be more specific. Actions can be taken on specific JLs without affecting other JLs.
- 4.6.4. A reduction in the number of JLs would reduce the precision in job matching and the usefulness of the PLS in reflecting private sector pay level across different organisational levels. The accuracy and precision of the pay indicators for each JL will be compromised since private sector jobs which are comparable to different ranks of the respective civil service grade could potentially be grouped under one and the same JL (i.e. junior professionals are combined with middle professionals; senior professionals are combined with lead professionals) if only three salary bands were used. It should be borne in mind that the PLS is to examine if the pay level across a large segment of the civil service is appropriate and that the PLS is conducted much less frequently than the PTS.

---

2 The PLS measures the total cash compensation (in absolute dollar terms) paid to different jobs at different levels in the private sector at a particular point in time, while the PTS measures the year-on-year change (in percentage terms) in the pay to different levels of employees in the private sector.

3 The PLS results are used to help determine whether the pay scales for specific grades and ranks in the civil service should be adjusted, while the PTS results are used to help determine the annual pay adjustment for the whole civil service.

- 4.6.5. If the three JL approach is used to replace the existing five JL categorisation, the existing JLs will be combined (i.e. JL 2 will be combined with JL 3, and JL 4 will be combined with JL 5). There would be potential fluctuation and impact on the comparison ratio. Such an impact, be it going up or going down, would mean that the representativeness of the results will be affected and they will be less specific and precise to the target group. While the existing five JLs meet the objective of segmenting the civil service ranks into appropriate levels for a broad comparison purpose, grouping the ranks further down to three JLs will further downplay the hierarchy and the difference in job responsibility across job levels.
- 4.6.6. Furthermore, the use of three salary bands increases the risks and challenges in determining adjustment to large bands of the MPS, with costs and market alignment implications. The combination of JL 2 and JL 3 into one job level, and JL 4 and JL 5 into another job level, gives rise to data density issues. As it is, much more private sector jobs fall into the lower JLs than the higher JLs, and if the two JLs are to be combined, data will to an extent be skewed. With such a broad categorisation, application of the survey results would be less precise or specific. It will be difficult to apply survey results on particular JLs only without the same affecting other JLs.
- 4.6.7. We have also considered the implications of the changes of notional mid-point with the use of three salary bands. As shown in the table below, under the five JL approach, the notional mid-point salaries representing each of the JLs is approximately eight to 12 MPS points away. Such a spread of notional mid-points provides a fair picture of the corresponding JLs they represent. If the three JL approach is adopted (as in the right column of **Table 14** below), the three notional mid-points used as pay indicators of civil service pay would become MPS Point 5, MPS Point 24, and MPS Point 43, which are much further apart from each other. Each notional mid-point represents a group of 10, 24 or 16 pay points. The notional mid-point representing each of the JL is 19 MPS points away. Such a wide gap could heavily distort the true picture of the civil service pay level.

Table 14 Existing five JL approach in the PLS and three salary band approach in the PTS

<p><b>Existing five JL Approach used in 2013 PLS</b> (notional mid-point for each level in <i>italic</i>)</p>	<p><b>Three salary band Approach used in 2018 PTS</b> (notional mid-point for each band in <i>italic</i>)<sup>Note</sup></p>
<p>JL 1 (MOD 1 Points 0-13 and MPS Points 0-10) Operational staff (MOD 1: 14 pay points; MPS: 11 pay points) <i>MPS Point 6</i></p>	<p>Lower salary band (Below MPS Point 10) (10 pay points) <i>MPS Point 5</i></p>
<p>JL 2 (MPS Points 11-23) Technicians and assistant executives / professionals (13 pay points) <i>MPS Point 18</i> (12 points higher than MPS Point 6)</p>	<p>Middle salary band (MPS Points 10 – 33) (24 pay points) <i>MPS Point 24</i> (19 points higher than MPS Point 5)</p>
<p>JL 3 (MPS Points 24-33) Middle-level executives and professionals (10 pay points) <i>MPS Point 29</i> (11 points higher than MPS Point 18)</p>	
<p>JL 4 (MPS Points 34-44) Managerial and senior professionals (11 pay points) <i>MPS Point 39</i> (10 points higher than MPS Point 29)</p>	<p>Upper salary band (MPS Points 34 – 49) (16 pay points) <i>MPS Point 43</i> (19 points higher than MPS Point 24)</p>
<p>JL 5 (MPS Points 45-49) Senior managers and lead professionals (5 pay points) <i>MPS Point 47</i> (8 points higher than MPS Point 39)</p>	

*Note: The mid-point is calculated by dividing the sum of the values of the first and last points of the job levels and selecting the salary point from the MPS closest to the result as the mid-point.*

4.6.8. Under a three-salary band approach, it is likely that data collected for the two upper bands (i.e. middle salary band and upper salary band) will be predominated with data from a lower level (i.e. junior professionals for the middle salary band, and senior professionals for the upper salary band). As such, the pay indicator for the private sector created for the salary band in the three salary band approach will be a biased representation of the corresponding JL.

## 4.7. Recommendation on the JL Categorisation

- 4.7.1. We have examined the pros and cons of using three salary bands in the future PLSs. We consider a broader categorisation for the PTS appropriate as it is meant for tracking the market pay movement on an annual basis. The PLS, on the other hand, is designed to ascertain broad comparability of civil service jobs at various levels with their private sector counterparts at a much longer interval. It would be of reduced value if the indicators are overly broad and unable to provide adequate information for specific adjustment to the MPS structure.
- 4.7.2. Our analysis reveals that although adopting the three JL approach could align the PLS segmentation of JLs with those of the PTS, it would result in too many jobs with different level of responsibilities being grouped in one single job level. Results could be distorted and biased. Alternatively, while the Staff Sides have raised their concerns on the potential difference in pay adjustment for civil servants with similar job responsibilities as a result of different JL categorisation under the existing PLS and PTS, the five JL approach, prima facie, ensures a more precise selection of comparable private sector jobs against the civil service benchmark jobs. The result of the comparison will therefore be more specific.
- 4.7.3. Same as the JF categorisation, the JL categorisation is also an important element in the survey methodology for PLS. We consider that the five JL categorisation will best suit the purpose of the PLS and a broad categorisation of three JLs will result in less precision and specificity in the application of survey results.
- 4.7.4. The Staff Sides expressed diverse views on whether to maintain the existing five JL approach or to adopt a three JL approach. Some support the five JL approach as it reflects more appropriately the broad pay levels of ranks in the Government hierarchy. Others support a three JL approach as it aligns with the categorisation in the PTS and should facilitate decisions on the application of survey results. A three JL categorisation also helps to relieve the straddling issue (i.e. from 107 ranks to 62 ranks as illustrated in paragraph 4.6.2).
- 4.7.5. Though the three JL approach is slightly better than the five JL approach in addressing the straddling issue, the five JL approach provides better data precision and specificity in result application than the three JL approach. Bearing in mind the purpose of the PLS which is to ascertain broad pay comparability between the civil service and the private sector at different levels of jobs, we **recommend** the Standing Commission to keep the five JL approach for the next PLS.

## 5. Other Enhancements to the PLS

### 5.1. Broadening the Survey Scope

- 5.1.1. As mentioned in **paragraph 1.2.2(c)**, the PLS serves to provide a broad comparison of pay levels of non-directorate civilian civil service jobs with their private sector counterparts. It captures pay information at different levels, covering both entry ranks and promotional ranks. On the other hand, the SSS focuses on the starting salaries of entry ranks only. With the PLS, it is arguable that it may not be necessary to conduct a specific survey to compare starting salaries (i.e. SSS). While consideration is given to adjusting the frequency at which the SSS is to be conducted as discussed in **Chapter 14**, in the light of practical experience gathered over the conduct of the previous surveys and the Staff Sides' views, we are exploring means to broaden the scope of the PLS with a view to enhancing the representativeness of the survey.
- 5.1.2. In the 2013 PLS, a total of 190 civil service benchmark jobs in 61 grades that met the existing criteria for selection of civil service benchmark jobs were included in the finalised job list. To broaden the survey scope of the PLS, we **recommend** increasing the number of civil service benchmark jobs as far as practicable through finetuning the existing selection criteria where appropriate. Details of the existing selection criteria are provided in **paragraph 6.1.1**.
- 5.1.3. Instead of including only civil service grades with an establishment size of not less than 100 posts, we consider that grades with a smaller establishment size could also be included. Being the largest employer in Hong Kong, the Government recruits and employs a broad range of ranks across different JFs. We consider that an establishment of 50 posts for a civil service grade should be sufficiently representative for the purpose of the survey. Instead of requiring the benchmark grades to have a sufficient number of jobs at different JLs, we also **recommend** including single rank grades in future PLSs because some of these grades will have private sector counterparts spanning across different economic sectors. Relaxing the above two selection criteria increases not only the number of ranks for comparison with the private sector but also the likelihood of generating more data for the JF-JL combinations. With the proposed changes, we expect the upcoming PLS to be more comprehensive in coverage with increased representativeness and breadth of civil service jobs.
- 5.1.4. With the adoption of the relaxed selection criteria proposed above, we **recommend** including a net increase of around 113 more civil service benchmark jobs in 38 grades (comprising 42 entry ranks and 71 promotional ranks) to the 2013 list, making a total of around 303 benchmark jobs for the next PLS. The new total civil service benchmark jobs represent about 77 % of the establishment of the non-directorate civilian ranks (an improvement as compared to 67% in the 2013 PLS). Under this proposal, around 112 of the ranks to be surveyed are at entry level (i.e. 37 % of the proposed totality of civil service benchmark jobs to be covered in future PLSs).

- 5.1.5. The newly included ranks are evaluated and selected on the basis of whether the ranks are surveyable and whether there are reasonable comparable counterparts in the private sector. We also **recommend** excluding one rank adopted in the 2013 PLS which no longer meets the selection criteria<sup>4</sup>. The proposed net increase of around 113 ranks is based on the civil service establishment at 31 December 2017. As changes in establishment may affect the suitability of individual ranks for inclusion as benchmark jobs, we **recommend** the consultant of the next PLS to consult the Staff Sides before finalising the list of civil service benchmark jobs for consideration of the Standing Commission using the relaxed criteria mentioned in **paragraph 5.1.3** , before the actual commencement of field work.
- 5.1.6. In the questionnaire for future PLSs, we propose to ask participating private sector organisations to provide additional pay related data specifically targeted at entry-level positions. The additional information involves some refinement to the questionnaire<sup>5</sup> for the PLS and the data collected will enable the enhanced PLS to provide broad indications as to whether the levels of pay for private sector entry-level positions as classified into different QGs are generally in tandem with the benchmarks for the corresponding QGs in the civil service. The applicability of these broad indications will be further explained in **Chapter 14**.
- 5.1.7. It should be noted that under the existing vetting criteria for the SSS which are elaborated in **paragraph 11.4.3**, pay data points for private sector jobs collected in SSSs for individual QGs should cover at least 60% of the JFs identified from the civil service basic ranks in the same QG. We consider that the vetting criteria for SSS should not apply to the expanded PLS, as the scope and objective of the two surveys are different.

## **5.2. Suggestions from the Staff Sides**

- 5.2.1. Based on the experience of the previous PLSs, feedback and comments have been received from the Staff Sides on improving the following aspects of the survey –
- (a) the transparency and quality of job matching, including how to ensure consistency of approach and reduce subjectivity in the assessment of comparability between civil service benchmark jobs and their private sector counterparts;
  - (b) disclosing the names of participating private companies;
  - (c) fully acknowledging and reflecting the uniqueness of some civil service jobs in the process of job inspection and comparison; and

---

4 Senior Estate Assistant was included in the 2013 PLS. The number of its established posts has dropped to below 50 posts as at 31.12.2017. Hence, it is not recommended for inclusion in the list of benchmark jobs.

5 The information to be collected may include asking the participating organisations to indicate which of their positions are entry-level ones.



- (d) taking into consideration the macroeconomic environment in deciding the survey reference date.

#### *Transparency and Quality Assurance in Job Matching*

- 5.2.2. We have explored if disclosing the names of all participating companies would be feasible in addressing the queries of the Staff Sides. Under the existing mechanism, consent has to be obtained from the participating private sector organisations before their names are made known to the Staff Sides or their representatives. If it is a mandatory requirement for participating organisations to have their names disclosed on the list of organisations which provide the pay data, we expect that some might be hesitant in participating in the survey, thus jeopardising the sufficiency of pay data and representation of the survey. In fact, the full invitation list would be made known to the Staff Sides' views during the consultation process. Hence all potential participants would be known and agreed upon before field work commences. The disclosure of the names of all participating organisations in a later stage of the survey is of limited added value for the interpretation of the survey results. As the disadvantages of mandatory disclosure for participation in the pay survey outweigh the benefits, we **recommend** that consent would still be required for the names of the participating organisations to be disclosed in the survey report. That said, other ways are explored below to enhance the transparency and quality assurance in job matching.
- 5.2.3. To give greater assurance to the Staff Sides that the PLS will only compare “like with like”, participating private sector companies will be encouraged to provide duty lists of their jobs for matching with civil service benchmark jobs (an example of duty list is provided at **Annex C**). Sample duty lists of private sector jobs will also be provided to the Staff Sides for reference, so that they could have a better understanding of the private sector jobs that are used for comparison. To further enhance transparency and quality assurance of the job matching process, we **recommend** that the survey consultant of the forthcoming PLS will provide a detailed guide (and make it available to the Staff Sides) on the protocol and job matching procedures. This should include the guidelines on matching, detailed work steps involved as well as the vetting procedures to be performed by the survey consultant in ensuring the quality of the matching process. The guide will facilitate the understanding of the job matching criteria and how each step in the process is carried out; and how quality checking is performed on the findings.
- 5.2.4. A flowchart illustrating the key work steps in the updated job matching process is set out at **Annex D**.

#### *Uniqueness of Civil Service Jobs and Reviewing the Job Inspection Process*

- 5.2.5. Obtaining market data through job matching is the most time-consuming process. The match must be based on job nature, content, level of responsibility, qualification and experience documented in the form of job descriptions (JDs) for survey participants to review and consider. In order to

obtain the JDs of the civil service ranks, an extensive job inspection process is required to obtain detailed, up-to-date and acceptable version of the JDs.

- 5.2.6. The job inspection process has long been labelled as a thorough process which requires considerable time. In the previous PLSs, a large number of meetings were held and many civil servants participated in the process to –
- (a) provide up-to-date job information;
  - (b) explain the aspects of the jobs to the consultant; and
  - (c) highlight the uniqueness of the surveyed jobs (rank and grade).
- 5.2.7. There are comments from the Staff Sides that the uniqueness of civil service jobs was not clearly reflected in the job inspection process in the previous PLSs. In our view, the uniqueness was reported in each of the JD concerned, with highlights and a separate summary in the previous surveys.
- 5.2.8. It is acknowledged that certain civil service jobs have aspects of uniqueness that are not found in the private sector. However, given the objective of the survey, its focus should not be on reflecting such uniqueness, but rather on the broad comparability, i.e. capturing appropriate market data for comparison and reference. The success of the survey depends more on the extent to which appropriate market data can be captured for analysis.
- 5.2.9. Given the Staff Sides' concerns on the proper recognition of the uniqueness of some civil service jobs, we have also explored measures to enhance the existing job inspection process.
- 5.2.10. In the previous PLSs, the consultant, after being appointed, was required to review the methodology and to work with the Staff Sides to update the JDs for all benchmark jobs. The process involved a thorough review of the JDs requiring consultation processes and consensus among the Staff Sides and grade management.
- 5.2.11. If the JDs are reviewed outside the context of the PLS, the last update to the survey JDs which were assembled and confirmed prior to the survey could be provided to the consultant immediately before the start of the next round of PLS. This will allow the job inspection process to focus only on the latest confirmed version of JDs for each benchmark job which have been agreed with staff, instead of trying to create one or to get consensus on what it should entail (and then seek its endorsement etc.). The consultant could then have more time to understand the job requirements during the inspection stage including any uniqueness. This would help streamline the job inspection process and improve its efficiency.
- 5.2.12. We note, however, that the consistency of approach and workload implications will be a concern to the parties involved if the review of JDs is to be absorbed by grade/departmental management instead of undertaken by the consultant. As the need for large scale updating of JDs is likely to diminish after one or two more rounds of PLSs, we agree that the existing arrangement should continue

for the next PLS. We therefore **recommend** to continue with the existing job inspection process for the next round of the PLS.

- 5.2.13. We have also explored the possibility to separate the methodology review of PLS from the survey itself.
- 5.2.14. Under this approach, the consultant would adopt the agreed survey methodologies and could spend less time in the consultancy preparation work before the fieldwork commences. On the other hand, an off-cycle methodology review (if one is considered necessary each time a PLS or SSS is conducted) would be preferred, as it allows more time and flexibility for consultation and discussion, without the concern of a having a lengthy, drawn out exercise and associated problems of agreeing on a suitable survey reference date which will be affected by the progress of the review of methodologies under the existing arrangement.
- 5.2.15. Potential drawbacks of such an approach would be the increased workload in procurement of consultancy services, staff consultation etc. for the Government in administering two projects if an off-cycle methodology review were to be conducted. Apart from that, different consultants might be engaged in the methodology review and the actual survey, giving rise to possible lack of continuity in the survey approach. Since the advantages for delinking the methodology review from the survey itself cannot outweigh the potential drawbacks, we **recommend** continuing with the existing practice.

#### *Survey Reference Date*

- 5.2.16. Some Staff Sides suggest that the macroeconomic environment should be taken into consideration in determining the survey reference date. We consider that the surveys should be conducted in accordance with the pre-determined frequency and timeframe. Choosing a survey reference date with particular regard to the state of the macroeconomic environment may be considered by some to be arbitrary and will impact adversely on the credibility of the surveys.
- 5.2.17. In Hong Kong, private sector organisations usually have their salary review month during the first few months of the year (mostly in January and April). Hence it is a common practice to collect data with 1 April as the reference date when up-to-date salary increments and pay changes will be captured. For private sector organisations which regularly check their pay competitiveness, it is unusual for a random reference date to be adopted for benchmarking. Instead, pay survey reference dates are usually kept constant in order to maintain comparability of market data and consistency in reviewing pay adjustments.
- 5.2.18. We consider that an aligned survey date of 1 April would provide a more up-to-date understanding of pay survey findings and help the application decisions. Having regard to the Staff Sides' view in **paragraph 5.2.16** on building in some flexibility in setting the date, we **recommend** that detailed arrangements could be determined after taking into account views from the stakeholders (including the Staff Sides) before the onset of the next PLS. The considerations and

recommendations proposed for the survey reference date above apply to both the PLS and the SSS.

## 6. Criteria for Selection of Jobs

### 6.1. Existing Criteria for the PLS

6.1.1. In the previous PLSs, a set of pre-defined criteria was adopted to ensure that civil service benchmark jobs are reasonably representative of the civil service and have broadly comparable private sector job matches. To be qualified, the civil service benchmark jobs concerned must –

- (a) have reasonable counterparts, in terms of broadly comparable job nature, skills, qualifications and experience, in a large number of private sector organisations;
- (b) be representative of the civil service. Each civil service benchmark grade should have an establishment size of not less than 100 posts;
- (c) be reasonably representative of various civil service pay scales, the breadth of disciplines, the depth of JLS and the range of Government bureaux /departments;
- (d) have a sufficient number of jobs at different JLS to ensure that the survey results are reliable; and
- (e) be such that its total number to be matched and the private sector pay data to be collected should be reasonable and manageable for the participating private sector organisations. This will ensure the integrity of the data and will not deter the organisations from participating in the survey.

### 6.2. Observations

6.2.1. These criteria are in line with the key principles in ensuring that civil service benchmark jobs are reasonably representative of the civil service and have broadly comparable private sector job matches. These criteria were arrived at after due consultation with stakeholders in the 2006 and 2013 PLSs. The consultation involved the management of individual grades and departments, Departmental Consultative Committees, staff unions and associations. In the 2013 exercise, the criteria enabled the identification of a total of 61 grades and 190 benchmark ranks for classification into 19 JF-JL combinations<sup>6</sup>, with private sector matches found for 59 grades and 162 ranks, covering 17 JF-JL combinations from a range of economic sectors.

6.2.2. In **Chapter 5**, we **recommend** that criteria (b) and (d) in **paragraph 6.1.1** be relaxed in order to enhance the representativeness and breadth of civil service jobs in future PLSs. We **recommend** requiring each civil service benchmark grade to have an establishment size of not less than 50 posts rather than 100 posts. We also **recommend** doing away with the requirement for civil service

---

<sup>6</sup> In the 2013 PLS, six out of the 25 JF-JL combinations did not have any civil service benchmark jobs for matching with the private sector.

benchmark grades to have a sufficient number of jobs at different JLs, to allow single rank grades to be included in future PLSs.

- 6.2.3. For the rest of the criteria under **paragraph 6.1.1**, we consider them relevant and appropriate and **recommend** their continued adoption in the next PLS.

### **6.3. Grades to be Excluded**

#### *Directorate Grades*

- 6.3.1. The directorate grades have all along been excluded from the survey field, but, as in the previous PLSs, survey results are applied to the directorate grades based on the established internal pay relativities. Functions that are prevalent in directorate positions like policy formulation, for example, often have no direct comparables in the private sector. We **recommend** that the established practice of excluding directorate grades from the PLS should continue.

#### *Disciplined Service Grades*

- 6.3.2. Disciplined service grades have also been excluded from the survey field in previous PLSs. As re-affirmed by past surveys, the job nature and requirements for disciplined services positions (e.g. maintaining law and order in society, risk management for large-scale public order events etc.) are unique to the grades concerned with no reasonable private sector counterparts.
- 6.3.3. We note the views of the Staff Sides from the disciplined services that they disagree with the exclusion as well as the continued application of pay survey findings to the disciplined services based on the established internal relativities between the civilian grades and the disciplined grades.
- 6.3.4. In revisiting the arguments presented, we find that the main reason for the exclusion (i.e. the lack of private sector comparables) remains valid. While it is outside the scope of the present review, the appropriateness of applying the findings to the disciplined services by way of internal relativities is a matter for further consideration by the Government and the relevant advisory committee.

#### *Education, Medical and Health Care, and Social Welfare Fields*

- 6.3.5. The education, medical and health care, and social welfare fields have also been excluded from the previous PLSs. The Phase One consultant for the 2013 PLS conducted a brief study on the pay practices of private sector organisations in these fields, the results of which supported the exclusion of these grades. The study confirmed that —
- (a) for the education field: the majority of schools followed the civil service pay scales. Some exceptions found in international schools and tutorial centres also failed to meet the criteria for selection as private sector participants in that their pay levels were not determined on the basis of factors and considerations applying to Hong Kong or were employing less than 100 employees;

- (b) for the medical and health care field: the majority of hospitals and medical centres still followed the civil service pay scales or pay adjustments, although the trend was to depart from such practices; and
- (c) social welfare field: the majority of the social welfare organisations followed the civil service pay scales or pay adjustments. Even for de-linked organisations, civil service pay scales and pay adjustment rates remained the major factors influencing pay setting.

6.3.6. Notwithstanding the emergence of more private schools and direct subsidy scheme schools in Hong Kong in recent years, the availability of comparable teaching counterparts for civil service benchmark jobs in the private sector is not expected to show any significant increase. Employees of private schools whose pay packages are not normally determined on the basis of factors applicable to Hong Kong would remain outside our target group. From our market knowledge working with educational institutions in the previous five years, we observe that the majority of private educational organisations are still following the MPS or a similar version of the MPS in order to attract talent. We do not expect to see huge changes in such a trend in the near future. Thus, we **recommend** the continued exclusion of the education ranks from the next PLS.

6.3.7. Similarly for private sector employees in the social welfare field, although some delinking was observed in their pay scales with ones in the civil service in recent years, the vast majority of social welfare professionals in private organisations are still employed under variations of pay structure that follow closely with that of the civil service. It is particularly evident in the case of specialist professionals like social workers. We **recommend** therefore that the social welfare field should be excluded in the next PLS.

6.3.8. Diverse views were received from the Staff Sides in the previous PLSs regarding the inclusion of medical and health care ranks. While we note the rising number of private hospitals and private medical centres in recent years, we are not aware of significant changes in the way such organisations set their pay. From our previous working experience with them, we observe that the Government pay scales remain a major consideration in pay determination in private sector medical organisations, rendering them unsuitable for use as a fair market reference. We also note that some doctors are offered commission or profits sharing with private hospitals or medical organisations instead of being engaged as employees of the organisations. The latter often has less than 100 employees and therefore fails to meet the selection criteria. The trend in the private sector is, nevertheless, evolving. To ascertain if the position described above would remain valid for the next round of PLS, we **recommend** the consultant for the next PLS to conduct a brief study to verify if the medical and health care field including the Hospital Authority and other large private medical and health care organisations continue to refer to the civil service pay scales or pay adjustment in their pay determination, before deciding if the medical and health care field should be excluded in the next PLS.

## 6.4. Existing Criteria for the SSS

6.4.1. We will devote **Chapters 8 to 13** to a detailed examination of the methodology of the SSS. Generally speaking, two major dimensions are used to compare entry-level jobs in the civil service and those in the private sector, namely (i) the educational qualification requirements and, where applicable, experience; and (ii) the job functions. The criteria for selecting private sector jobs for comparison with civil service entry-level jobs are —

- (a) the selected jobs should require similar minimum qualifications for appointment as those of the basic ranks of the civil service grades in the respective QGs;
- (b) the selected jobs should perform similar functions as those of the basic ranks of the civil service grades as identified in the JFs for the respective QGs; and
- (c) the selected jobs should be full-time ones with salary determined on factors and considerations applying to Hong Kong only.

6.4.2. In addition, experience requirements specified in data collection for the respective QGs are set out in the table below. QGs not listed below are entry level jobs requiring no experience.

Table 15 Experience specification for different QGs

QG	Grades and Qualification Requirements	Experience Specification in Data Collection
2.2	HKDSEE Grades Group II: Grades requiring Level 2 or equivalent in five subjects in HKDSEE plus considerable experience (or five passes in HKCEE plus considerable experience)	Two to five years of experience
4	Technical Inspectorate and Related Grades: Higher Certificate or equivalent qualification plus experience	Three years of experience
5	Technician, Supervisory and Related Grades Group I: Certificate or apprenticeship plus experience	Two years of experience
6	Technician, Supervisory and Related Grades Group II: Craft and skill plus experience, or apprenticeship plus experience	Two to three years of experience

## 6.5. Consideration and Recommendation

6.5.1. On the understanding that the Qualification Benchmark System would remain to be the foundational methodology for the next SSS, we consider the existing selection criteria suitable in reflecting a broadly comparable pay indicator from the private sector and **recommend** the continued adoption in the next SSS. As



for the selection of private sector jobs for comparison with QG 8 ranks in the civil service, more details are elaborated under **paragraphs 23.4.3 and 23.4.4.**

## **7. Selection Criteria for Private Sector Organisations**

### **7.1. Overview**

7.1.1. In deciding the criteria for selecting private sector organisations to be surveyed for collecting pay information, the guiding principle is that in their entirety, the organisations to be included should provide a reasonable representation of pay levels prevailing in the Hong Kong market for reference.

7.1.2. The following selection criteria were adopted for the 2013 PLS –

- (a) the organisations should be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
- (b) the organisations should have a sufficient number of jobs that are reasonable counterparts to benchmark jobs in the civil service;
- (c) the organisations should be typical employers in their respective fields employing 100 or more employees;
- (d) the organisations should determine pay levels on the basis of factors and considerations applying to Hong Kong rather than outside Hong Kong;
- (e) the organisations should not use civil service pay scales or pay adjustments as major factors in determining the pay levels or pay adjustments for their staff, or should not have done so in the past five years;
- (f) if they form part of a group in Hong Kong, the selected organisations should be treated as separate organisations where pay practices are determined primarily with regard to conditions in the relevant economic sector;
- (g) taken together, the selected organisations should represent a breadth of economic sectors;
- (h) the total number of surveyed organisations should be sufficient to ensure that each JF-JL combination will have data coming from at least ten organisations; and
- (i) at least 70 – 100 organisations should be included in the survey field.

### **7.2. Review and Consideration**

7.2.1. We have reviewed these criteria and consider them appropriate for continued adoption in future PLSs. Our observations and comments are set out in the table below.

Table 16 Discussion on selection criteria for private sector organisations to be included in the survey field

Selection Criteria	Comments
<ul style="list-style-type: none"> <li>▪ The organisations should be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis.</li> </ul>	<ul style="list-style-type: none"> <li>▪ It is important that the selected organisations are ones that do not experience excessive staff turnover relative to others in the industry and that the benefits provided to their employees are typical of the industry and categories of staff concerned. They should also have an established policy for determining and assessing the competitiveness of their pay in comparison with other organisations in a systematic way.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The organisations should have a sufficient number of jobs that are reasonable counterparts to benchmark jobs in the civil service.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We consider it crucial that, taken together, the surveyed organisations should have a sufficient number of private sector jobs that are reasonable counterparts to and broadly comparable with the civil service benchmark jobs;</li> <li>▪ Preferably each organisation should also cover a wide representation of different private sector benchmark jobs so that information collected will reflect the pay relativities among these jobs within the organisation.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The organisations should be typical employers in their respective fields employing 100 or more employees.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We consider that the participating organisations should employ at least 100 staff as these larger organisations will be better positioned to provide data on a range of benchmark jobs at different levels;</li> <li>▪ The probability of findings being unduly influenced by customised pay packages targeting specific employees is less in large organisations;</li> <li>▪ Data collection from a reasonable number of large employers with a wide range of benchmark jobs is more efficient than that from many small employers with limited number of benchmark jobs.</li> </ul>

Selection Criteria	Comments
<ul style="list-style-type: none"> <li>▪ The organisations should determine pay levels on the basis of factors and considerations applying to Hong Kong rather than outside Hong Kong.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We consider it appropriate to exclude pay data of jobs which are normally filled by expatriates whose remuneration is not determined on local factors.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The organisations should not use civil service pay scales or pay adjustments as major factors in determining the pay levels or pay adjustments for their staff, or should not have done so in the past five years.</li> </ul>	<ul style="list-style-type: none"> <li>▪ It is logical to exclude private sector organisations the pay level or adjustments of which are impacted by the civil service pay adjustments to avoid distortion on the pay data to be collected.</li> </ul>
<ul style="list-style-type: none"> <li>▪ If they form part of a group in Hong Kong, the selected organisations should be treated as separate organisations where pay practices are determined primarily with regard to conditions in the relevant economic sector.</li> </ul>	<ul style="list-style-type: none"> <li>▪ This criterion ensures that subsidiaries of a larger group will be treated as separate entities if they have autonomy in determining pay rates appropriate to their respective business models.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Taken together, the selected organisations should represent a breadth of economic sectors.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The representativeness of economic sectors should be balanced so that there will be sufficient representation of private sector pay level across industries.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The total number of surveyed organisations should be sufficient to ensure that each JF-JL combination will have data coming from at least ten organisations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ This ensures that the collected data are meaningful and representative for any particular JF.</li> </ul>
<ul style="list-style-type: none"> <li>▪ At least 70-100 organisations should be included in the survey field.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bearing in mind the proposed increase in JF categorisation, 70-100 organisations may not be enough to meet the vetting criteria for data consolidation and analysis. We <b>propose</b> increasing the number of organisations to be surveyed to 100-130.</li> </ul>

7.2.2. We have explored the possibilities of relaxing the criterion of “being typical employers in their respective fields employing 100 or more employees” to enhance the coverage of civil service benchmark jobs. If this criterion is removed, it will potentially increase the survey field for private organisations

with comparable counterparts for medical and health care field. This could support the inclusion of medical and health care field. However, organisations with less than 100 employees are less likely to reflect a systematic pay practice and the pay figures are more prone to be influenced by pay levels of certain individual employees, risking a less stable and biased result. We have also observed that in small organisations, the jobs tend to be more hybrid (multiple functions in a single role) in nature. To ensure a meaningful comparison and the robustness of the data captured, we **do not recommend** relaxing the selection criterion of “being typical employers in their respective fields employing 100 or more employees”.

- 7.2.3. Given the similarity in the selection criteria for private sector organisations between the PLS and the SSS, we will discuss the SSS selection criteria below. Further discussion of the SSS methodology is in **Chapters 8 to 13**.
- 7.2.4. Except for criteria (b), (h) and (i) which are applicable only to the PLS, the other criteria for selection of private sector organisations mentioned in **paragraph 7.1.2** were also adopted in the 2015 SSS. A minimum number of organisations to be surveyed is not set for the SSS, although in practice the number of participating organisations contributing data for calculation of market indicators were 135 and 139 for the 2012 and 2015 SSSs respectively.
- 7.2.5. Additionally, the SSS has its specific requirement in that organisations to be selected should collectively have a sufficient number of entry level jobs that are reasonable counterparts to entry-level jobs in each of the QG covered in the survey.
- 7.2.6. The SSS selection criteria as a whole enable the smooth conduct of the previous SSSs with reasonable coverage of economic sectors in Hong Kong. No special concerns are observed except the issue of insufficient data points for QG 3 Group I and QG 4.
- 7.2.7. Private sector organisations which potentially have comparable counterparts in the corresponding JFs that could match the criteria of QG 3 Group I and QG 4 are likely to be ones of smaller establishment such as healthcare centres, medical specialist centres and technical maintenance centres. These organisations usually fail to meet the criterion of being typical employers in their respective fields employing 100 or more employees. The insufficiency of the data in the two Groups will be further discussed in **Chapter 22**.
- 7.2.8. As explained in **paragraph 7.2.1**, we consider the established criteria for selecting private sector organisations for both the PLS and SSS generally appropriate and **recommend** that they be maintained. As a six JF categorisation is recommended for future PLSs, regardless of whether the scope of the PLS is expanded, we **recommend** to increase the number of organisations to be surveyed from 70-100 to 100-130.

## 8. Methodology for the SSS

### 8.1. Previous SSSs

- 8.1.1. The first specific review on civil service starting salaries was conducted in 1999. Prior to that, civil service starting salaries were reviewed by the Standing Commission as part of an overall civil service salary structure review in 1979 and again in 1989. Having regard to the observation that most private sector companies did not adjust the starting pay of new recruits according to the annual pay adjustment for their serving staff and to ensure that Qualification Benchmarks and starting salaries stayed in line with private sector pay for similar qualifications, a proposal was made in the 1999 review to delink the Qualification Benchmarks and starting salaries from the effect of the annual pay trend survey. Instead, a separate mechanism was established to review Qualification Benchmarks and starting salaries against movements in entry pay in the private sector for similar qualifications. These specific reviews on Qualification Benchmarks and starting salaries were to be conducted once every three to four years.
- 8.1.2. The second SSS was conducted in 2006 along with the 2006 PLS. Since the implementation of the Improved Mechanism in 2007, SSSs have been conducted at three-yearly intervals (i.e. in 2009, 2012 and 2015) to complement the six-yearly PLS and annual PTS.

### 8.2. Qualification Benchmark System

- 8.2.1. The Qualification Benchmark System has been used as the basis for data collection and pay comparison in the first specific review on civil service starting salaries conducted in 1999 and the subsequent SSSs conducted in 2006, 2009, 2012 and 2015. Under the Qualification Benchmark System, jobs are grouped primarily on the basis of similar entry requirements. There are two major dimensions in comparing entry-level jobs between the civil service and those in the private sector, namely (i) the educational qualification requirements and, where applicable, experience; and (ii) the job functions. The former is reflected in QGs and the latter is reflected in JFs.
- 8.2.2. In the 2015 SSS, the consultant then appointed reviewed the suitability of using the Qualification Benchmark System and explored the desirability of two other possible options which were typical in comparing jobs between the two sectors (i.e. job matching method and job factor comparison method, the gist of both are set out in **Chapter 3**). The consultant considered the Qualification Benchmark System most appropriate for the purpose, as it was a simpler and direct approach for benchmarking entry positions.
- 8.2.3. There are certainly merits for the continued adoption of the Qualification Benchmark System for its practicality and fitness for the purpose. Yet, we are aware of the concerns on its limitations expressed by the Staff Sides.

### **8.3. Staff Sides' Views**

- 8.3.1. The Staff Sides consider that for certain QGs (e.g. QG 4), the classification of civil service entry-level jobs is no longer in alignment with the market practice.
- 8.3.2. They point out that many recent recruits to the civil service possess relevant experience and/or qualifications well above the stipulated entry requirements. However, these experience and/or qualifications have not generally been recognised by the Government for the purpose of adjusting pay or re-classifying these positions into the corresponding QGs<sup>7</sup>. Also, given their experience, these recruits should not be treated as fresh graduates when pay comparison is made.
- 8.3.3. There are also views stating that the entry requirements stipulated for many grades in various QGs are outdated. As such, the Government should review the prevailing civil service entry qualifications to ensure that they remain on par with those required for comparable jobs in the private sector and keep up with the times. Some further suggest to carry out grade structure reviews for these grades.
- 8.3.4. The Staff Sides also consider that a long-term perspective should be taken in determining starting salaries, bearing in mind the career cycle of civil servants and the importance of maintaining the stability of the civil service. Possible staff morale problems arising from frequent fluctuations in starting salaries should be avoided as far as possible.

#### *Issues Concerning Qualification Groups*

- 8.3.5. As the Qualification Benchmark System only compares civil service and private sector jobs based on minimum entry requirements, we agree that it is important for such requirements to be reviewed regularly to ensure that they remain appropriate and commensurate with the prevalent duties and responsibilities of the grades concerned.
- 8.3.6. Indeed, the minimum qualification and experience requirements for these basic ranks were established years ago and may no longer reflect the current work requirements and the changing public expectation on service quality, transparency and accountability.
- 8.3.7. Some of the QGs used in the basic ranks are no longer applicable in the private sector, both from the demand and supply sides of the labour market. For example, the number of educational institutions offering the qualification of Higher Certificate which is a requirement for QG 3 Group I is on the decline. On the other hand, with the evolution in the education system, e.g. the increased supply of degree graduates in the labour market, there is a growing trend for private sector organisations to engage graduates in jobs previously not requiring a degree qualification.

---

<sup>7</sup> According to the information from the Government, under the prevailing policy, Incremental Credit for Experience (ICE) may be granted to new appointees with relevant experience when a rank is faced with recruitment difficulty because candidates with the stipulated minimum experience are unavailable, in short supply or of poor quality.

### *Issue of Over-qualification*

- 8.3.8. As regards the concern that some new recruits to the civil service are over-qualified, i.e. possessing qualifications higher than the minimum stipulated for their ranks, we note that such a phenomenon is not unique to the civil service but also common in the private sector.
- 8.3.9. Although candidates with higher qualifications, competence, and skills are likely to be more competitive during recruitment and subsequent promotion, it is not common for private sector organisations to offer additional pay to these over-qualified candidates.

### *Application Difficulties*

- 8.3.10. As noted by some Staff Sides, we also envisage difficulties in applying the SSS results under the existing mechanism. The benchmark of QG 8 is MPS Point 14, whereas the benchmark of QG 3 Group I and QG 4 is MPS Point 13. The difference in benchmark between QG 8 and the other two QGs is only one pay point. Any reduction in the pay for QG 8 will therefore make its new benchmark the same or even lower than that of QG 3 Group I and QG 4, both of which have lower entry qualification requirements. We have to be mindful of the risk of possible disruption to the internal relativity due to the application of SSS results.

## **8.4. Alternative Approaches to the Qualification Benchmark System**

- 8.4.1. Certain aspects of the SSS methodology have also been criticised by the Staff Sides. Whenever an entry-level job in the private sector requires the same entry qualifications as stipulated under any of the QGs to be covered and fits the JF categorisation, its pay will be captured for comparison with all benchmark jobs in that QG. The Staff Sides consider that it is not a very precise approach for pay comparison.
- 8.4.2. As in the review for PLS, we have explored different job comparison methodologies other than the Qualification Benchmark System and assessed their suitability for collecting information on starting salaries.
- 8.4.3. In considering these alternative approaches, we need to reiterate that there is no perfect job comparison method that can address all the inherent differences between the private sector and the civil service and the relevant constraints. Our aim is therefore to identify the most appropriate one with the objective of ensuring broad comparability of starting pay in the two sectors.

### *Job Matching Method*

- 8.4.4. The merits and limitations of the job matching method stated in **Chapter 3** are also applicable to the SSS. Some additional arguments against the use of job matching method for the SSS are discussed below.
- 8.4.5. Positions surveyed in the SSS are limited to those at the entry level. A full-scale job matching is inappropriate as the sufficiency of data cannot be guaranteed.



Compared to the job matching method, the Qualification Benchmark System is a simpler and more direct approach for comparing entry level jobs.

*Job Factor Comparison Method*

- 8.4.6. As explained in **Chapter 3**, the job factor comparison method is complex but more useful for comparing specified jobs in terms of factors such as accountability and technical know-how. The evaluation process involved is also more prone to criticism of subjective judgment and therefore, it is seldom used for remuneration surveys.

*Pay Band/Levelling Method*

- 8.4.7. This method is used to establish a hierarchy of job levels which accords with the needs and functions of the organisations in question. A common job level is derived for all jobs carrying similar responsibilities regardless of their duties or job families. With a wide representation of civil service jobs at the entry level in different functions and disciplines, the extent of comparability of their private sector counterparts is expected to vary considerably. Problems with level alignment are also likely to arise.
- 8.4.8. In comparison with other alternative approaches, therefore, the Qualification Benchmark System remains the most practical, direct and objective approach to compare civil service starting salaries with the pay of private sector entry level jobs.
- 8.4.9. However, as we observe, the purpose of the SSS is to provide an additional reference to supplement the PLS for ascertaining the broad comparability of civil service pay with private sector pay at entry levels. With the proposed inclusion of more entry ranks in the PLS to broaden its survey scope, there is a case for conducting the SSS less frequently or more flexibly. Detailed recommendation in this regard will be set out in **Chapter 14** of the report.

## 9. Qualification Groups to be covered in the SSS

### 9.1. The Current QG Categorisation

- 9.1.1. Under the Qualification Benchmark System, civil service starting salaries are determined having regard primarily to educational qualifications and/or experience required of individual basic ranks and to the entry pay of jobs having comparable requirements in the private sector.
- 9.1.2. Basic ranks in the civil service are categorised into different QGs, each with one (or two) benchmark(s) set having regard to the entry pay in the private sector for jobs requiring similar educational qualifications and/or experience as determined through previous SSSs. In case no comparable entry pay is found in the private sector for a QG, the benchmark will be determined through its internal relativity with other QGs. The prevailing QGs are as follows —

Table 17 Definition of different QGs

QG	Grades and Qualification Requirements
1	Grades not requiring Level 2 or equivalent in five subjects in Hong Kong Diploma of Secondary Education Examination (HKDSEE) (or five passes in Hong Kong Certificate of Education Examination (HKCEE))
2	HKDSEE Grades
2.1	Group I: Grades requiring Level 2 or equivalent in five subjects in HKDSEE (or five passes in HKCEE)
2.2	Group II: Grades requiring Level 2 or equivalent in five subjects in HKDSEE plus considerable experience (or five passes in HKCEE plus considerable experience)
2.3	Group III: Grades requiring Level 3 or equivalent in five subjects in HKDSEE (or two passes at Advanced Level in HKALE plus three credits in HKCEE)
3	Higher Diploma, Associate Degree and Diploma Grades
3.1	Group I: Higher Diploma or Associate Degree Grades
3.2	Group II: Diploma Grades
4	Technical Inspectorate and Related Grades: Higher Certificate or equivalent qualification plus experience
5	Technician, Supervisory and Related Grades Group I: Certificate or apprenticeship plus experience
6	Technician, Supervisory and Related Grades Group II: Craft and skill plus experience, or apprenticeship plus experience
7	Professional and Related Grades
8	Degree and Related Grades

QG	Grades and Qualification Requirements
9	Model Scale 1 Grades
10	Education Grades
11	Other Grades

## 9.2. QGs covered in previous SSSs

9.2.1. Data collection for the previous SSSs covered only QGs 1 to 9. QG 10 (Education Grades) and QG 11 (Other Grades) were excluded due to their unique nature and disparate entry requirements.

## 9.3. Consideration and Recommendations

### *The Exclusion of QG 10 and QG 11*

9.3.1. We have examined the basic ranks under QG 10 and QG 11 for consideration of inclusion for the next SSS. We note the views of the Staff Sides that the inclusion or otherwise of QG 10 and QG 11 in future SSSs should be re-examined and whether the internal relativity should continue to be used to determine benchmarks for these QGs.

9.3.2. The nine basic ranks in QG 10 are all in the education sector, comparable counterparts for which are only commonly found in educational establishments. Similar to what we have discussed earlier in the review of the PLS, the majority of these institutions are still to a large extent following the civil service pay scales. They either adopt pay scales determined with reference to the MPS for the civil servants, or take the civil service pay adjustment as the major factor in determining their pay levels. There is also no benchmark for the five graduate grades and four non-graduate grades in this QG, but their starting salaries are determined with reference to the benchmark of QG 8 and QG 3 Group I respectively. We do not consider it appropriate to include the basic ranks of QG 10 in the next SSS or see sufficient justifications to change the long-established practice in using the internal relativity for determining their starting salaries.

9.3.3. We have also examined the 44 basic ranks that make up QG 11. We observe that ten of the 44 basic ranks are obsolete ones with no establishment or incumbents as of 31 December 2017 and are no longer representative of civil service ranks.

9.3.4. The remaining 34 ranks in QG 11 are extremely diverse in their job nature and functions. These ranks typically require appointees to have special aptitude, skills or experience more than academic attainment. No benchmark is set for this QG but adjustments to starting salaries of the ranks in question is made based on the QGs to which these ranks are linked (e.g. Assistant Hawker Control Officer is linked to QG 5 and Traffic Warden to QG 1). The absence of a benchmark makes it extremely difficult to search for and compare with an appropriate counterpart in the private sector. We therefore **do not recommend** the inclusion of QG 11 in the next SSS.

### *Data Gaps for QG 3 Group I and QG 4*

- 9.3.5. For QG 3 Group I and QG 4, persistent difficulties were experienced in collecting sufficient data to meet the vetting criteria in all the previous SSSs. A number of factors have contributed to the situation of insufficient data for these two QGs –
- (a) Basic ranks in QG 3 Group I are all under one JF, i.e. JF 4 (Public Services – Social and Personal Services). Eight of the 10 ranks in question have paramedical functions; four have no established posts and incumbents; and one has very few posts and incumbents (i.e. 21). The findings as we will see in **Chapter 22** also re-affirm the difficulty in identifying sufficient suitable private sector comparables for these ranks.
  - (b) For QG 4, the number of private sector organisations that still adopt a Higher Certificate/ Diploma and three years of relevant experience as the minimum requirement for entry-level positions is fast diminishing. In the 2015 SSS, some data points were obtained for this QG from organisations that required a Diploma plus three years' relevant for their entry-level jobs. However, the number of surveyed organisations which were able to satisfy the vetting criteria for generating a representative market pay indicator for this QG remained insufficient. As shown in the previous SSS, private sector organisations rarely had entry-level jobs requiring such level of experience and jobs requiring such level of experience in the private sector were seldom entry-level positions. We will examine the data insufficiency issue in detail in **Chapter 22**.
- 9.3.6. The situation of insufficient market data for these two QGs is expected to remain in near future.

### *The Other QGs*

- 9.3.7. We have briefly discussed the limitations of using the existing QGs in conducting the SSSs in the previous chapter. Problems including insufficient data points for QG 3 Group I and QG 4 and obsolete QGs in the civil service system remain and outdated QGs no longer suitably reflect the work nature of the civil service ranks in question.
- 9.3.8. As part of this review, a specific study is required to be conducted for QG 8, QG 3 Group I and QG 4. More discussion and recommendation on these QGs will be discussed in detail in the next Section of the report.
- 9.3.9. As for now, we **recommend** the Government to further consider the issues identified in relation to the QG framework in the light of the findings of future pay surveys. Further details will be discussed in **Chapter 23**.

## 10. The Job Family Classification under SSS

### 10.1. Existing Practice – eight-JF classification

- 10.1.1. An eight-JF classification is adopted in the previous SSSs to facilitate identification of comparable private sector jobs and data collection, as detailed in **table 18** below –

Table 18 The eight-JF classification adopted in the SSS

Job Family (JF)	Description
JF 1	Clerical and Secretarial
JF 2	Internal Support (Corporate Services)
JF 3	Internal Support (Technical and Operation)
JF 4	Public Services (Social and Personal Services)
JF 5	Public Services (Community)
JF 6	Public Services (Physical Resources)
JF 7	Works-Related
JF 8	Operational Support

- 10.1.2. Only private sector entry-level jobs with similar qualification requirements as a QG, and comparable in terms of functions to those identified under the JFs for that QG, are selected for comparison. This ensures that comparison is not merely based on job titles or names of departments/offices associated with the jobs, which may cause discrepancies and inconsistencies. The adoption of the JF classification ensures that the market data sampled are relevant and comparable with the civil service basic ranks for the QG concerned.

### 10.2. Consideration and Recommendation

- 10.2.1. We have studied the job duties of the 268 basic ranks in QGs 1 to 9 surveyed in the 2015 SSS to examine if the existing JF classification as illustrated in the **paragraph 10.1.1** is still appropriate and suitable for the next SSS.
- 10.2.2. We have not observed any drastic change and material difference for the job duties of these basic ranks after the 2015 SSS. We therefore **recommend** continuing to adopt the existing eight JF classification for grouping the basic ranks. Since entry level ranks only cover one JL, a more refined JF categorisation serves to provide a more refined measurement and data representation from the private sector.
- 10.2.3. In private sector organisations, junior level/ entry-level jobs are usually designed and structured in a way that focus in one particular domain and JF while senior positions tend to have dual roles overseeing different domains/ JFs.

Since the SSS only covers the entry level ranks representing one JL, the more refined eight-JF classification is considered appropriate for continued adoption.

- 10.2.4. There could be potential changes to the job duties of the 268 civil service basic ranks in QGs 1 to 9 before the next survey. The consultant for the next SSS may wish to re-examine the job duties of these basic ranks and confirm if the existing JFs remain suitable before the launch of the next SSS.

## **11. Parameters for Data Collection, Pay Analysis and Comparison**

### **11.1. Pay Components to be Collected for Comparison**

- 11.1.1. In the past PLSs and SSSs, a comprehensive approach was taken in considering pay comparison of cash compensation components.
- 11.1.2. The methodology excluded any form of remuneration provided in kind, e.g. use of a car and provision of a parking space, contributions to medical insurance, and any form of remuneration intended to be provided over a long period of employment, e.g. long-term incentives and retirement benefits.
- 11.1.3. Pay data were collected on the basis of annual total cash compensation which comprised annual base salary plus any other cash payments, and included cash allowances (e.g. education, housing and passage allowance, etc.) and variable pay (e.g. commission and incentive bonus, etc.). Those payments conditional on particular working conditions (such as for overtime, shifts or work location) or allowances conditional upon individual circumstances (such as payments for reimbursement of business expenses) were excluded.

### **11.2. Non-Cash Benefits**

- 11.2.1. Views have been received from the Staff Sides for a review on whether non-cash fringe benefits should be included in the comparison between the private sector and the civil service, using the total remuneration package approach (i.e. total cash compensation plus benefits provided in kind). Pros and cons have been previously discussed and the major arguments against the inclusion of non-cash benefits for comparison are given below —
  - (a) Lack of common and consistent basis for benefits valuation: differences in the remuneration and benefits practices between the two sectors make it difficult to compare the benefits items using a consistent methodology. No industry standard has been established in valuation of the benefits items, e.g. should benefits be regarded as a cost of the employer or a value to the employee?
  - (b) Variety of benefits practices within and across organisations in the private sector: benefits packages vary greatly between employees depending on their terms of appointment and personal circumstances rather than job nature or seniority. We see practical difficulties for organisations to provide such data which will complicate the data collection process.
  - (c) Stability of the benefits valuation result: valuation of the benefit items is also likely a major problem since financial indicators which have to be taken into account in calculating their values tend to fluctuate with the economic environment.
- 11.2.2. In view of the above, we could not find sufficient justifications to support the inclusion of benefits provision in the pay component for comparison. We

**recommend** that the same arrangements as in previous pay surveys should be adopted to ensure data quality and consistency for the next PLS and SSS.

### 11.3. Basis for Comparison

- 11.3.1. The rule of using the upper quartile (i.e. the 75th percentile, or P75) of the private sector total cash compensation, consolidated on the basis of the typical organisation practice approach, is adopted for the determination of the private sector pay indicator for each JL (in PLS) and QG (in SSS). It accords with the general objective that the Government should be a good employer and, hence, civil service pay should be measured against that of the better paying private sector jobs. We **recommend** continuing with this practice for future surveys.
- 11.3.2. The JF-based unweighted average used to formulate the P75 of the private sector pay enables a broad comparison on pay levels for the civil service and the private sector, reflecting any pay level difference across jobs due to the difference of job requirements and level of responsibility (for the PLS) and the difference of minimum qualification requirement (for the SSS). We **recommend** continuing to adopt the same basis for comparison.

### 11.4. Vetting Criteria

- 11.4.1. A set of vetting criteria were adopted in the previous PLSs and SSSs to ensure data representativeness.
- 11.4.2. The PLS adopted one single vetting criterion for data consolidation, i.e. to have pay data points from at least 10 private sector organisations for each JF-JL combination, to ensure data integrity.
- 11.4.3. The SSS adopted a different approach under which the pay data points for private sector jobs collected for individual QGs should cover (a) at least 60% of the JFs identified from the civil service basic ranks in the same QG; and (b) at least 15% of all surveyed organisations or 15 surveyed organisations, whichever is the less.

### 11.5. Consideration and Recommendation for Vetting Criteria

- 11.5.1. We have considered the possibility of tightening the existing vetting criteria. However, for both the PLS and SSS, there are already concern on data adequacy. While enhancing representativeness, further tightening the vetting criteria will likely result in more data gaps.
- 11.5.2. For the PLS, we believe that the current criterion is appropriate for ensuring the data integrity of each JF-JL combination and maintaining the data representation of each JF from the private sector for each JL. Relaxing the existing criterion is not desirable as it will directly impact on data integrity by lowering its quality. We thus **recommend** the continued adoption of the existing vetting criterion.
- 11.5.3. Whereas for the SSS, there are persistent difficulties in collecting sufficient data to meet the vetting criteria for QG 3 Group I and QG 4. Though the criteria adopted by SSS serve well in ensuring the data representation of each JF for the



respective QG and attaining overall data integrity, we **recommend** that the possibility of relaxing the vetting criteria for the SSS should be further explored. As the specific study on QG 8 also covers the investigation of QG 3 Group I and QG 4, more discussion can be found in that section.

## 12. Approaches for Data Consolidation

### 12.1. Overview

- 12.1.1. In the 2013 PLS and the 2015 SSS, the typical organisation practice approach was adopted for consolidating the pay data of employees from private sector organisations within a particular JF-JL combination (in the PLS) or Qualification Group-Job Family (QG-JF) combination (in the SSS).
- 12.1.2. There are various approaches adopted by the private sector in conducting pay level surveys, namely –
- (a) typical organisation practice approach;
  - (b) job holder pay approach; and
  - (c) job practice approach.

Table 19 Different approaches for data consolidation in the private sector

Approaches	Definition
Typical organisation practice approach	<ul style="list-style-type: none"> <li>▪ Actual pay data of job holders are collected;</li> <li>▪ Pay of all jobs in each JF-JL (in the PLS) or QG-JF (in the SSS) combination is combined to produce a single value for that organisation;</li> <li>▪ The indicators from individual organisations are then consolidated (e.g. by calculating the average with each organisation being given equal weighting irrespective of the number of job-holders in that organisation) for each combination; and</li> <li>▪ The typical pay practice of private sector organisations for each combination is reflected, with equal weight for each participating organisation regardless of the organisation size.</li> </ul>
Job holder pay approach	<ul style="list-style-type: none"> <li>▪ Actual pay data of job holders are collected; and</li> <li>▪ Pay of each job-holder in each JF-JL (in the PLS) or QG-JF (in the SSS) combination is not combined but viewed individually as a data entry carrying equal weight.</li> </ul>
Job practice approach	<ul style="list-style-type: none"> <li>▪ Only the median pay data of job holders for each job in the organisation is collected; and</li> <li>▪ Pay indicator (median) of each job of each organisation is viewed as a data entry carrying equal weight.</li> </ul>

### 12.2. Considerations

- 12.2.1. Having regard to the objectives of the PLS and the SSS, which are to make a broad comparison of civil service pay levels across different grades and ranks

with comparable ones of the private sector, we find that the typical organisation practice approach remains the best option for data consolidation. The merits and shortcomings of each method referred to in **paragraph 12.1.2** are discussed below –

Table 20 Merits and shortcomings of different approaches for data consolidation

Approaches	Merits	Shortcomings
Typical organisation practice approach	<ul style="list-style-type: none"> <li>▪ The approach presents a snapshot of the average actual pay levels within each organisation for the benchmark jobs with consideration of the necessary relativities of jobs within the organisation; facilitate a reasonable comparison with the civil service pay levels;</li> <li>▪ There is lower probability for findings to be influenced by one small organisation; and</li> <li>▪ It is widely accepted by the private sector and also the Staff Sides.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Survey findings are bounded by “organisation” and “JF and JL” as the unit basis rather than tied to each benchmark job, thus lowering the representativeness of pay level for each individual benchmark job.</li> </ul>
Job holder pay approach	<ul style="list-style-type: none"> <li>▪ The approach captures all data of existing job holders of civil service benchmark comparable jobs in the private sector regardless of the organisation, representing a better coverage in terms of total incumbent numbers in the private sector for the comparable job.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Findings could be unduly influenced by a few exceptionally high-paying or low-paying organisations which employ a large number of staff for certain private sector benchmark jobs.</li> </ul>
Job practice approach	<ul style="list-style-type: none"> <li>▪ The approach captures all pay indicators of existing civil service benchmark comparable jobs in the private sector regardless of the organisation, representing a better coverage for the job in question.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Findings could be unduly influenced by a few exceptionally high-paying or low-paying organisations which employ a large number of staff for certain private sector benchmark jobs or ones in a specific JF and JL.</li> </ul>

12.2.2. We consider it important that the survey findings should have an unbiased coverage of pay levels of private sector comparables for the respective civil

service grades and ranks in each of the surveyed organisations. The typical organisation practice approach remains the best option for the purpose intended and should continue to be used in future surveys. We therefore **recommend** continuing to use this approach for data consolidation in the PLS and SSS.

## **13. Application of Survey Findings**

### **13.1. The 5% Acceptable Range Approach**

- 13.1.1. In the 2006 PLS, a range of plus/minus 5% was adopted as the acceptable range of difference between the civil service and private sector pay indicators for one JL. Where the difference shown in the survey fell within the range, no downward/ upward adjustment was to be made to the relevant civil service pay point. Where the difference fell outside the range, downward/ upward adjustment to the relevant civil service pay points was to be made to bring the latter within the 5% range.

### **13.2. The Existing Holistic Approach**

- 13.2.1. The existing holistic approach for applying survey findings was first adopted in the 2009 SSS and continued to be used for the latest PLS and SSSs (including the 2013 PLS, the 2012 and 2015 SSSs). Under this holistic approach, the Standing Commission is to take into account a basket of relevant principles and considerations in concluding how the survey results should be applied. Survey results will not be applied mechanically in adjusting the pay level of civil service ranks/grades, and actions with regards to the survey result should be made based on all the relevant factors.
- 13.2.2. These factors include broad comparability with the private sector, the attractiveness and stability of civil service employment, the inherent differences between the civil service and private sector and their uniqueness, the inherent discrepancies in statistical surveys and elements of chance, the nature of the PLS / SSS and overall interest.

### **13.3. Common Practice in the Private Sector for Pay Survey Application**

- 13.3.1. In the private sector, pay surveys are usually conducted on a need basis only. Market information obtained is used as a reference to determine the final salary of a particular job or the pay range of a job grade/ level. Pay adjustment decisions are seldom made mechanically and solely on the outcomes of the pay surveys.
- 13.3.2. Similar to the holistic approach adopted by the Standing Commission, organisations in the private sector usually take into consideration a basket of relevant factors in deriving a conclusion on pay. These include but are not limited to the financial position or budget of the firm, staff turnover rate, internal relativities, scarcity and availability of talent, business needs, pay philosophy, general economic situation, and external competitiveness.
- 13.3.3. Hiring and firing at different levels are commonly practised and a balance needs to be maintained between the competitiveness of their remuneration packages and overall operating costs. Pay arrangements often have to be adjusted quickly in response to changes in business performance, economic cycles and talent

needs. A much greater degree of flexibility is exercised, therefore, in the way private sector organisations apply survey findings in making pay adjustment decisions. Such inherent differences between the civil service and the private sector should be taken into account when considering the application of survey findings.

- 13.3.4. As observed from the five overseas countries that we have surveyed, factors such as budgetary considerations, productivity enhancement, recruitment and retention pressure and skill development needs, in addition to the comparability between the pay of the civil service and the private sector, are considered in determining the pay of the civil service. We therefore consider that the holistic approach that the Standing Commission has adopted in considering the results of previous rounds of the PLS and SSS, under which a basket of factors are taken into account in the application of the findings, is aligned with the common trend identified in these countries.

#### **13.4. Staff Sides' Views**

- 13.4.1. Although in survey subsequent to the 2006 PLS, the Standing Commission used the holistic approach in application of the survey results with the plus or minus 5% range as one of the considerations, we are aware that the Staff Sides hold different views on the use of such range. While some favour a pre-determined range, others suggest that a wider range of 10 to 15% might be more appropriate to avoid undue disruptions caused by frequent pay adjustments. Some also suggest that the principles and mechanism for application should be formulated and agreed before survey findings are available.
- 13.4.2. The Staff Sides generally agree with considerations behind the adoption of the holistic approach in the 2013 PLS and the 2015 SSS. They consider that pay survey findings should not be applied mechanically and that a certain degree of flexibility should be allowed. Some hold the view that the policy considerations underpinning the civil service pay policy, including recognising the unique characteristics of civil service work and maintaining civil service stability, should be taken into account in applying the survey results. These considerations are —
- (a) upholding the core values of the civil service;
  - (b) maintaining the stability of the civil service;
  - (c) comparing with the private sector but also recognising the inherent differences between the civil service and private sector;
  - (d) following but not leading the private sector;
  - (e) maintaining internal relativities within the civil service;
  - (f) taking account of the Basic Law and other legal considerations; and
  - (g) taking account of the Government's fiscal position and other considerations.

### 13.5. Limitations of a Pre-determined Range

- 13.5.1. By definition, the pre-determined range would mandate a mechanical application of survey results. The pay adjustment mechanism will become rigid and could not allow flexibility in pay administration for meeting the needs of Hong Kong, not to mention that this approach may give rise to frequent adjustment to the pay levels of many civil servants, and such volatility is not conducive to maintaining the stability and morale of the civil service.
- 13.5.2. In addition, different levels of data dispersion among different QGs were found in past SSSs. This uneven data dispersion makes it difficult to arrive at a specific percentage for adoption as the buffer level across all QGs. There is also no statistically sound formula for deriving a buffer for each QG based on the level of standard deviation. Applying a buffer at any percentage level is bound to be arbitrary.

### 13.6. Recommendations

- 13.6.1. We fully agree with and **recommend** the continued adoption of the holistic approach. The private sector rarely adopts a fixed set of rules and typically makes pay decisions after considering a host of factors, which is essentially holistic in nature. Pay survey findings only provide a snapshot of the prevailing market conditions whereas any pay adjustment decisions need to take into account the Government's future needs and challenges and the fundamental differences in recruitment, pay practices and career development between the civil service and the private sector that are not reflected in pay surveys. By adopting the holistic approach, we can also cater for any unforeseeable scenarios or unexpected economic fluctuations which may otherwise have an undue impact on the survey results.
- 13.6.2. We acknowledge the comments and suggestions provided by the Staff Sides and have revisited the principles for the civil service pay policy. We believe that the majority of the key principles of the civil service pay policy are already incorporated and reflected in the consideration for application of survey findings.
- 13.6.3. Besides fiscal position, other considerations could also be more explicitly spelt out, like the requirement for civil servants to possess certain core values and how to ensure fairness and consistency in determining pay levels for certain civil service jobs which do not have any private sector comparators.
- 13.6.4. As regards to the approach to restore pay to within a pre-determined range, while this could provide a consistent guideline in applying the survey findings, it lacks flexibility and amounts to a mechanical application of result surveys. This approach might give rise to frequent adjustments to the pay levels of a large group of civil servants, and such volatility is not conducive to civil service stability and morale. Given that the market is highly dynamic and pay surveys only capture market information at a particular point in time, it would be always inappropriate to follow strictly the snapshot taken of private sector pay, in

applying pay survey findings to all non-directorate civilian ranks (for the PLS) and entry-level ranks (for the SSS). Hence, we **do not recommend** to adopt a pre-determined range that would mandate a mechanical application of survey results limiting the degree of flexibility in pay adjustment and **recommend** to continue to adopt a holistic approach.



## **14. Frequency for the Conduct of PLS and SSS**

### **14.1. Existing Practice**

- 14.1.1. Currently, a PLS is conducted every six years with the objective of checking if the salaries of non-directorate civilian grades in the civil service remain broadly comparable with private sector pay. Conducted once every three years, the SSS complements the PLS in checking the pay of a smaller segment of the non-directorate civilian service, i.e. the starting salaries of the entry ranks only, to examine if they are broadly comparable to the entry pay of jobs in the private sector requiring similar qualifications and, if applicable, experience. In addition to the PLS and the SSS, there is also the annual PTS which ascertains the year-on-year pay adjustments in the private sector.
- 14.1.2. In the light of the respective survey scopes, a considerable amount of resources and the deep involvement of staff and management are required for conducting either survey. Given its coverage over a majority of the non-directorate civilian grades, it takes about 33 months for the PLS to be completed, including the preparatory work and the actual field work. In particular, under the broadly-defined JF-JL framework that we have proposed to be retained for the PLS (see **Chapter 4** above), an intensive job inspection is necessary to ascertain the detailed characteristics of civil service benchmark jobs to facilitate identification of private sector job matches. For good reasons, the Staff Sides are engaged in reviewing the job descriptions of civil service benchmark jobs used for the survey to ensure that they are comprehensive, representative and up-to-date. The whole survey process, from the stage of job matching to data submission, requires extensive inputs, in terms of time and effort, from both the Staff Sides and management of the civil service on the one hand and from participating private organisations on the other. In line with its established practice, the Standing Commission engages the Staff Sides throughout the whole process, at such stages as the confirmation of the survey methodology, the determination of the survey field and the interpretation and application of survey findings. Although its scope is narrower, the SSS still requires some 15 months to complete. For the survey results to be reliable and accurate, and to be perceived so by all parties involved, it is worth the time and the effort. That said, without any intention of compromising staff participation, we have examined if there is room for enhancing the survey process and adjusting the cycle of the two surveys, with full regard to what purposes the PLS and the SSS are to serve under the Improved Mechanism.

### **14.2. Staff Sides' Views**

- 14.2.1. The Staff Sides express diverse views and opinions on the frequency at which the PLS and the SSS should be conducted.
- 14.2.2. In relation to the PLS, some suggest conducting it less frequently, holding the view that once the PLS confirms the appropriateness of the respective pay levels, the annual PTS can already ensure that civil service pay is broadly comparable

to the private sector over time. The PLS can then be conducted at longer intervals (say, once every ten years) and it should be adequate for maintaining broad comparability between the civil service and private sector pay. Some suggest substituting the PLS, in the light of the resources and time required.

- 14.2.3. As regards the SSS, views are similarly diverse. While some consider that any substantial gaps between the civil service and private sector starting pay should best be addressed quickly (hence warranting a regular and if possible more frequent SSS), some are concerned about the negative impact that may arise as a result of frequent adjustment to the starting pay of the entry ranks.

### **14.3. Practice of Other Governments**

- 14.3.1. While the pay practices of every jurisdiction cannot be viewed outside its domestic context, we have drawn reference from the findings of the research on civil service pay arrangements in five overseas countries detailed in **Chapter 24**.
- 14.3.2. We do not see any specific arrangements for determining starting salaries in the countries of Australia, Canada and New Zealand, and in fact no regular starting salaries survey is conducted across the five surveyed countries.
- 14.3.3. In these five countries, starting salaries are dealt with as part of the overall salary determination regime. The ministries, agencies, and departments of most countries are given the flexibility and autonomy to determine the starting salaries of their employees based on operational needs. No strict guidelines have been given and no specific survey has been conducted for starting salaries.
- 14.3.4. Starting salaries in the Singapore civil service are adjusted regularly having regard to market rates for similar positions, size of the talent pool, job nature and candidates' capabilities.
- 14.3.5. Given their diverse background and differences in policies, practices and structures, it is inappropriate to compare directly the situation in Hong Kong with those of the surveyed countries. However, it is worth noting that in all the surveyed countries, there is no specific arrangement for determining the starting salaries.
- 14.3.6. In Hong Kong, the purpose of the SSS is to supplement the PLS in ascertaining the competitiveness of starting salaries for entry-level jobs. From the recent three SSSs (i.e. the 2009, 2012 and 2015 SSSs), it is observed that pay adjustment has been effected on one occasion only (i.e. lowering two MPS points for QG 8 in the 2009 SSS).
- 14.3.7. As explained in **Chapters 5 and 6**, the proposed inclusion of more entry ranks under the PLS helps to track the pay of both entry level and higher-level jobs in a single survey. In fact, the inclusion of entry ranks as proposed in **Chapter 5** together with the accompanying relaxation of criteria and refinement to the questionnaire for the PLS will enable the survey to provide, in addition to pay indicators for different JLs, broad indications as to the level of starting salaries

as classified according to QGs. It should be noted that these indications will not be taken as a basis for consideration of any adjustment of starting salaries, as even with the coverage of around 112 entry ranks, the data collected in the enhanced PLS will not be as representative or reliable for the purpose of linking a QG to a specific pay level as the SSS which carries with it various robust features aimed at ensuring data integrity and reliability for the purpose of application. As the PLS and the PTS together have all along ensured the pay comparability between the civil service and the private sector, the enhanced PLS will provide an extra layer of information for monitoring the starting salaries in relation to QGs. In the light of the above, we have considered the arrangement including the frequency of conducting the SSS. For this purpose, we have examined further the pros and cons of various alternatives, including conducting the PLS and the SSS together, conducting the SSS (in alternation with the PLS) at a six-yearly interval instead of triennially, or conducting the SSS as and when necessary in response to specific circumstances.

#### **14.4. Pros and Cons of Different Framework and Frequencies**

- 14.4.1. Currently, the PLS is conducted every six years, and the SSS is conducted every three years. We have examined the pros and cons of conducting the PLS at longer intervals. Such an arrangement is not recommended as the objective of the PLS is to examine the level of pay across the non-directorate civil service. Spacing it out at longer intervals may render civil service pay to be significantly out of line with private sector pay. On the other hand, because of the considerable work and resources a PLS entails for the Government as well as the participating private sector companies, a reasonable interval should be allowed between two PLSs to encourage participation. As elaborated in **paragraph 14.1.2**, we consider it impractical to conduct the PLS more frequently. We therefore **recommend** that the PLS be conducted at the present six-yearly intervals.
- 14.4.2. The next question is therefore the frequency at which the SSS should best be conducted. With the current triennial SSS and six-yearly PLS, there are times when the two surveys are carried out within the same year or very close to each other. This arrangement places a heavy demand on the parties involved, in particular private sector organisations, many of which are also participants in the annual PTS.

##### *Synchronised Approach*

- 14.4.3. As discussed in **Chapter 5**, we note the opinions from some of the Staff Sides that sufficient time should be allowed for consultation on the methodology and process reviews of the PLS. In this regard, we have explored the possibility of carrying out the review on methodology, scope and process of both the SSS and PLS periodically or on-demand, to be separated from the field work itself.
- 14.4.4. If the methodology review is delinked from field work proper, the time required for the actual surveys of the PLS and SSS can be shortened. We expect the

survey preparation phase for the PLS can be shortened by about 12 to 16 months, and that of SSS by six months approximately.

- 14.4.5. Alternatively, kickstarting the methodology review earlier (if one is considered necessary each time a PLS or SSS is conducted) can also help shorten the time required for the actual surveys. Since the field work for the PLS takes much longer than that of the SSS, significant improvements are unlikely even if an off-cycle review arrangement is introduced. More importantly, since both the PLS and the SSS use the same survey reference date with the latter being completed much earlier, the SSS results are likely to be perceived as outdated.
- 14.4.6. Conducting the PLS and SSS together also poses a challenge to resources input from participating private sector organisations as they will have to provide two sets of pay data within the same time frame, which can also lead to potential confusion during the data collection process.
- 14.4.7. In view of the above, a synchronised approach is **not recommended**.

*Conducting the SSS less frequently at a six yearly-interval*

- 14.4.8. The PLS and PTS provide a solid basis for ensuring that the pay of the civil service as a whole is broadly comparable with the private sector. While noting the history of the SSS, we observe that the importance of conducting specific surveys on starting salaries is diminishing. Indeed, the role of the SSS is a complementary one. To a large extent, the SSS is akin to an added assurance to the pay adjustment data obtained from the PLS and the PTS. It seeks to monitor the starting salaries for the civil service entry ranks along a pre-determined interval. This is important in the sense that entrants to the civil service are generally expected to pursue a life-long career in the Government (for stability of the civil service and continuity of services to the public) and the starting salaries have to be competitive in order to recruit candidates of the right calibre and potential to join the civil service.
- 14.4.9. The past two SSSs (in 2012 and 2015) showed that the starting salaries for the civil service entry ranks, except those in QG 8 (for which we have conducted a specific study the results being set out in **Chapters 18 to 19**) had been largely in tandem with the private sector. These findings support the view that the PLS and PTS taken together already serve to ensure pay comparability, including those at the entry level. Having regard to these findings and the survey costs involved, we consider that it would be a viable and practical option to conduct the SSS less frequently.
- 14.4.10. As we **recommend** in earlier sections, the PLS should continue to be carried out once every six years, and that its scope should be broadened to include more entry ranks. As set out in **paragraph 14.3.7**, the enhanced PLS should be able to capture and reflect pay adjustment at entry ranks in the private sector more effectively and relevant data from the enhanced PLS should be able to provide broad indications as to whether the levels of pay for private sector entry-level positions as classified into different QGs are generally in tandem with the benchmarks for the corresponding QGs in the civil service.

- 14.4.11. With the supplementary broad indications for the QGs drawn from the enhanced PLS, it is worth exploring whether it is necessary to conduct the SSS at a three-yearly interval. At the existing frequencies, a PLS and an SSS could be conducted very close to each other temporally, placing a heavy demand on participating organisations, Staff Sides and management alike. Balancing all the considerations, therefore, we have examined an option to conduct the SSS at a six-yearly interval instead of triennially, and in alternation with the PLS such that parties involved will not be over-burdened. As discussed above, with more entry ranks included in the PLS, it can help plug the gap resulting from less frequent SSSs.
- 14.4.12. For this option, the Government could, subject to the established timetable for conducting the two surveys and its internal procedures, consider kickstarting the PLS first, in 2019 if possible, while the next SSS could then follow in three years' time. As we have recommended in **paragraph 5.2.18**, the survey reference dates should be pre-set, and at 1 April.

*Conducting the SSS under specific circumstances*

- 14.4.13. We have also examined the option of conducting the SSS as and when necessary in response to specific circumstances. As we have explained in **Chapters 5 and 6**, the enhanced PLS will provide an extra layer of information for monitoring the starting salaries in relation to QGs. In the light of such information, or in response to circumstances that may have an impact on the starting salaries of specific segments of the employment market, instead of conducting the SSS at any pre-set frequency, the Government may consider surveying specifically the starting salaries of specific ranks or grades or generally the starting salaries of the QGs when the need for such a survey arises. The SSS could be kickstarted in response to various circumstances, including (but not being limited to) changes in relation to recruitment, appointment or regulatory framework which affect certain entry ranks, groups of related ranks, a specific QG or related QGs, as well as any rapid and unforeseeable changes to the external environment and the socio-economic landscape that may have a significant impact on the employment market in Hong Kong as a whole.
- 14.4.14. It is open for the Government to consider if a comprehensive SSS, or an SSS of a smaller ambit, is warranted, after reviewing the broad indications revealed by the PLS and the specific circumstances mentioned above and taking into account the views of the stakeholders including the Staff Sides.

*Merits and limitations of the two recommended options*

- 14.4.15. We have also examined the merits and limitations for the options of “conducting the PLS with less frequent SSS at a six-yearly interval” and “conducting the SSS under specific circumstances”.
- 14.4.16. For the option where the SSS is conducted at a six-yearly interval (with the PLS conducted in alternation), the data collected from the SSS provide a regular check on the broad comparability of the starting salaries of non-directorate civilian grades in the civil service with the pay of entry-level positions in the

private sector. Such arrangement, with a regular survey timeframe, also provides more certainty in terms of planning and resources management for the Government, the Staff Sides, the future survey consultant and the general public including private sector organisations. However, the SSS, conducted at a six-yearly interval, will not be able to respond flexibly to any internal or external changes (e.g. recruitment difficulties in specific ranks or changes in socio-economic landscape, etc. as elaborated in **paragraph 14.4.13**) in between the surveys, limiting the value of the data collected in the SSS for the consideration by the Government to monitor and, if necessary, adjust the starting salaries of entry ranks.

- 14.4.17. On the other hand, conducting the SSS in response to changing circumstances is a more flexible arrangement whereby the survey could be initiated in response to internal and external changes promptly. This option also maximises the value of the data collected in the SSS, which is conducted as and when necessary in response to specific circumstances. As explained in **paragraph 14.4.14**, the broad indications provided in the enhanced PLS, together with the specific circumstances, will enable the Government to make a holistic decision as to whether and when to kickstart a SSS.
- 14.4.18. Overall speaking, the first option (i.e. conducting the PLS with less frequent SSS at a six-yearly interval) fares better in terms of certainty but falls short of responding more swiftly to internal and external factors and as a result could not maximise the value of the data collected in the SSS. On the other hand, the second option (i.e. conducting the SSS under specific circumstances) allows the Government to respond more promptly to the internal and external circumstances and an SSS could be conducted in a full-scale or a specified scale accordingly. This in turn maximises the utility of the data collected in the SSS for the purpose of monitoring and if necessary adjusting the starting salaries of the entry ranks in the civil service.
- 14.4.19. Staff Sides expressed different views on the SSS and the frequency at which it should be conducted. There are suggestions to conduct the SSS as and when necessary, to conduct the enhanced PLS first before deciding on the arrangements of future SSSs, to reduce the frequency for the conduct of SSS, or to replace the SSS with the enhanced PLS.
- 14.4.20. The Staff Sides generally support the second option under which the Government can consider if a comprehensive SSS, or an SSS of a smaller ambit is warranted, after reviewing the broad indications as revealed by the enhanced PLS and the specific circumstances. We therefore **recommend** the Standing Commission to adopt the second option - *conducting the SSS under specific circumstances*. If this option is adopted, the next PLS will be kickstarted in 2019. We also note the Staff Sides' request for their engagement in the process of consideration.

## **Part II: Specific Study on QG 8**

### **15. Background of the Current Study**

#### **15.1. SSS**

- 15.1.1. The objective of the SSS is to compare the starting salaries of non-directorate civilian grades in the civil service with the entry pay of jobs in the private sector requiring similar qualifications and, if applicable, experience.
- 15.1.2. Since the implementation of the Improved Mechanism, the Standing Commission has conducted three SSSs in 2009, 2012 and 2015 respectively, with the assistance of consultants.

#### **15.2. Observations from the previous SSSs**

- 15.2.1. The 2015 SSS revealed the following unique features and characteristics of the QG 8 (Degree and Related Grades) in the civil service and degree graduate entry-level positions in the private sector –
- (a) The starting pay of QG 8 in the private sector consistently recorded a relatively larger dispersion as compared to other QGs. The survey result demonstrated that the degree of variance (ratio between the lower quartile (P25) and the upper quartile (P75) pay level) for the degree graduate entry-level positions was 1.43.
  - (b) A widening pay difference was observed between the civil service benchmark of QG 8 and the comparable market P75 pay level. The market P75 pay level was lower than the civil service benchmark pay for QG 8 by 15.3% as compared to the difference of -8.8% in 2012, meaning that the P75 pay of degree graduate entry-level positions in the private market fell further behind the benchmark pay of QG 8.
  - (c) The starting pay of QG 8 in the private sector exhibited a lower average growth rate as compared to other QGs. The survey results showed that the market P75 pay level for QG 8 reported the lowest cumulative percentage increase of 5.7% from 2012 to 2015, while the average growth rate recorded for the other QGs was 12.6%<sup>8</sup> for the same period.

#### **15.3. Principles and Considerations for Application of the 2015 SSS Results**

- 15.3.1. The Standing Commission adopted a holistic approach in determining how to apply the 2015 SSS findings<sup>9</sup>, the key considerations and principles behind which are listed below –

---

8 For details, please refer to the Standing Commission on Civil Service Salaries and Conditions of Service Report No. 54 (Civil Service Starting Salaries Survey 2015) (link at <https://www.jsscs.gov.hk/reports/en/54/R54e.pdf>)

9 See also the Standing Commission Report No. 54.

(a) Nature of the SSS

The purpose of SSS was designed to be conducted at three-yearly intervals to ascertain the broad comparability of the civil service pay with private sector pay. Thus, the scope of the 2015 SSS was limited to the basic ranks.

Given the nature of an SSS, frequent adjustments to starting salaries to maintain strict comparability would cause disruptions in existing arrangements, including internal relativities, and might not be conducive to the stability of the civil service. Thus, excessive volatility in civil service starting salaries should be avoided, and flexibility should be adopted in applying the survey results.

(b) Broad comparability with the private sector

To ascertain the broad comparability of the civil service pay with the private sector pay, a broader view and a longer-term perspective in deciding how best to apply the survey findings is preferable to an indiscriminate adjustment simply aligning the market data. Any drastic pay adjustment should be avoided to maintain the stability of the civil service pay and morale under relevant considerations of the holistic approach.

The Standing Commission also examined the phenomenon in a longer-term perspective in comparing the pay between degree graduates in the private market and that of the civil service. The Standing Commission noted that degree graduate entry-level positions (both in the market and in the civil service) generally had a longer career path allowing the incumbents to rise to middle and senior management positions, whereas for other jobs requiring a lesser qualification the career path would generally be shorter.

Whilst the survey findings revealed that a degree graduate joining the Government enjoyed a pay lead over its private sector counterpart when first recruited, it only represented a snapshot at the point of entry. Therefore, the Standing Commission considered it reasonable and justified to take a longer time horizon in assessing the case for QG 8, looking beyond the entry point.

(c) Inherent differences between civil service and private sector and their uniqueness

The Standing Commission fully recognised that the civil service and private sector were distinct in many ways. In the private sector, degree graduates might enjoy a relatively larger salary jump or better career prospect a few years after appointment when their calibre and abilities were proven. They might be more willing to consider a less favourable starting salary for other important considerations such as career exposure, training opportunities and access to industry knowledge, etc. Moreover, the turnover rate of new recruits was generally higher in the private sector. Job switching was particularly common among degree graduates in the early years of their career.



In contrast with the private sector, career progression in the civil service was more structured and stable. The pay levels for QG 8 positions in the Government could only rise steadily in the course of the incumbents' career. It was not possible for civil servants to get any substantial salary jump unless there was an advancement opportunity, which was much less common and frequent when compared with the private sector.

The Standing Commission also drew reference to the findings of the 2013 PLS to have a better understanding of the career path of civil service new recruits in QG 8 vis-à-vis their counterparts in the private sector from a longer-term perspective. In the 2013 PLS, which categorised civil service jobs into five Job Levels (JL), it was found that for the first four JLs covering the most junior civil servants up to those at MPS Point 44, the differences between the civil service pay indicators and private sector pay indicators ranged from -4% to +4%. Based on these findings, the Standing Commission concluded that for these JLs civil service pay and private sector pay were regarded as broadly comparable. As for JL 5 (covering senior non-directorate civil servants remunerated on MPS Points 45 to 49), the civil service pay indicator was 8% lower than the private sector pay indicator.

For most of the degree grades under QG 8, a major part of the pay scales of their entry ranks (including the current benchmark of MPS Point 14 of the QG) fell under JL 2 in the 2013 PLS (which covered MPS Point 11 to Point 23). In the longer term, degree graduates might rise through the ranks to hold middle and senior management positions in the civil service which fall under JLs 3 to 5. The pay indicators for JLs 2 to 5 should therefore be able to shed some light on how the salary of a degree graduate filling a QG 8 position compared with that of a degree graduate in the private sector, both at the point of entry and along his career path.

The Standing Commission acknowledged that in view of the inherent differences between the civil service and private sector, the attractiveness of private sector pay practices might have been underestimated if only starting salaries at the point of entry were taken on board for comparison with civil service pay (as captured in 2015 SSS). A degree graduate joining the Government might initially enjoy a pay lead over its private sector counterpart at the entry point but within a matter of a few years, the pay lead could diminish or even disappear given the latter's faster pace of salary increase over time and/or substantial salary jump from job switching.

- (d) The demand and supply of degree graduates (due to the Government's policy on tertiary education) and its impact on the pay differential

To a certain extent, the differential for QG 8 in the 2015 SSS results reflected the market demand and supply situation of degree graduates in the previous years. With an abundant supply of degree graduates, new recruits were generally not in a position to bargain for a higher pay. Yet the increase in supply of degree holders, which was the result of years of

investment in tertiary education in Hong Kong, was essential for the development of a knowledge-based economy.

The Standing Commission considered that due recognition should be given to the importance of degree education in the social and economic landscape, which would in turn facilitate upward social mobility of the younger generation. The Standing Commission was also mindful of the signal that might be sent to the labour market following any adjustment to the starting salaries of civil servants, given that the Government was the largest employer in Hong Kong.

- (e) Internal relativities of QG 8 with adjacent QGs (QG 3 Group I (Higher Diploma or Associate Degree) and QG 4 (Higher Certificate or equivalent qualification plus experience))

Moreover, the Standing Commission also took into account the relationship of QG 8 with QGs of adjacent educational qualifications. The Standing Commission noted that if the benchmark of QG 8 was reduced by one pay point, such a reduction would render the new benchmark of QG 8 to be the same as that of QG 3 Group I (Higher Diploma or Associate Degree) and QG 4 (Higher Certificate or equivalent qualification plus experience), thereby disrupting the relationship between QG 8 and QGs of adjacent educational qualifications.

This would be considered undesirable and also unfair to degree holders and could negatively impact on staff morale and the stability of the civil service as a whole.

- 15.3.2. In the light of the above, the Standing Commission recommended that no change should be made to the benchmark pay of QG 8. It further recommended that, following the conclusion of the 2015 SSS, a specific study on QG 8, using a broader and longer perspective approach, should be conducted to investigate further into the distinctive features and characteristics of this QG and gain a better understanding of the phenomenon. The study result could also be used as the basis to determine whether the prevailing SSS survey methodology should be improved and how the future survey findings should be applied.

## **15.4. Objectives and Scope of the Current Study**

- 15.4.1. As set out in **paragraph 1.4.1**, the Consultancy Brief requires us to conduct, in addition to the review on the PLS and SSS, a specific study on QG 8 covering the following tasks —

- (a) identifying the underlying circumstances leading to the distinctive features and characteristics associated with QG 8 positions in the private sector;
- (b) comparing salaries of degree graduates filling QG 8 positions in the civil service with those of degree graduates in the private sector, both at the point of entry and along their career path;
- (c) obtaining further information about the pay and career of degree graduates in the private sector (such as career progression, turnover rate, progression/promotion opportunity, job switching, etc.) and comparing the

treatment of degree graduates in the private sector and those joining the Government;

- (d) providing information on the supply of and demand for degree graduates and how the supply and demand situations affects the pay of degree holders;
- (e) advising if only selected degree level jobs in the market are suitable for inclusion as private sector counterparts in the context of future SSSs;
- (f) collecting information as to how the qualifications under QG 3 Group I and QG 4 are recognised in the private sector and the respective pay levels, with a view to presenting such information to the Standing Commission for reviewing the internal relativities between the benchmark pay of QG 8 and the above two adjacent QGs.

15.4.2. The methodology for the study, findings, analyses and recommendations are discussed in the following chapters.

## 16. Methodology for the Specific Study on QG 8

### 16.1. Overview of the Study

- 16.1.1. To address the tasks cited in **paragraph 15.4.1**, a study methodology was proposed in the Inception Report and agreed by the Standing Commission (hereafter referred as the “Agreed Study Methodology”).
- 16.1.2. With the main purpose of the current study being a broader and longer perspective approach in investigating the distinctive features and characterises of degree graduates, this study takes a more in-depth approach in understanding the pay and career progression of degree graduate new hires in the private market.
- 16.1.3. The broader and long-term perspective approach not only collects the starting salaries of degree graduate entry-level positions but also gathers the pay data for positions along the career ladder of these entry-level positions in order to provide additional insight on the pay progression of degree graduates in the private sector.
- 16.1.4. As stated in the Inception Report, pay practices for managerial positions are in general less structured and more flexible as compared to the entry-level positions. Factors like talent supply, economic cycle and business performance significantly impact upon the pay for the managerial positions. Also, promotion to managerial positions or above often depends on opportunities available and individual performance other than the natural job progression and may also involve a change of job scope that covers multiple job streams and functions. There are practical difficulties in relating such a large variance of pay data to the job progression perspective. Therefore, only pay data for the pre-managerial positions along the career ladder of degree graduate entry-level positions are collected.
- 16.1.5. Apart from the actual salaries of these positions, relevant information regarding the career of degree graduates is also collected. Information related to job progression, pay policies, turnover rate, and training and development opportunities is also collected for further analysis on the characteristics of the degree graduate entry-level positions.
- 16.1.6. The macro environment may also be one of the key contributing factors to the uniqueness and characteristics of QG 8. The increased supply of degree graduates in past two decades and its impact on the growth in entry pay for degree graduates, for example, require detailed examination. To supplement the above-mentioned pay data and pay policy information collected from the study, therefore, we have performed an in-depth analysis on both supply for and demand of degree graduates. In so doing, we analyse relevant statistics and other related information gathered from multiple sources.

- 16.1.7. Having regard to the importance of maintaining internal pay relativity amongst the various QGs in the civil service, the current study also looks into the two adjacent QGs of QG 8, namely the QG 3 Group I and QG 4.
- 16.1.8. Pay data for both QG 3 Group I and QG 4 are collected to determine how graduates holding qualifications under these two QGs are recognised for employment in the private sector. This information also serves to provide an additional perspective on the internal relativity of the starting pay of the entry-level positions of these two QGs as compared to the degree graduates.
- 16.1.9. Before explaining our study methodology, we would like to give an introduction on the ranks covered in QG 8, QG 3 Group I and QG 4.

## **16.2. Ranks in QG 8**

- 16.2.1. There are a total of 26 basic ranks under QG 8 with different starting pay points to reflect the difference in their entry requirements and special job factors (which together may put the starting pay of certain ranks above the benchmark pay point of MPS Point 14). They can be categorised into two groups –
  - (a) 22 ranks requiring a degree in the relevant discipline only without work experience or with limited work experience for appointment (e.g. Executive Officer II). The starting salaries of these ranks range from MPS Point 14 to Point 16; and
  - (b) Four ranks requiring a degree and a solid number of post-qualification experience (seven years or more) for appointment (e.g. Law Translation Officer). The starting salaries of these ranks are either MPS Point 32 or Point 43.
- 16.2.2. The pay scales of the majority of these 26 basic ranks all fall within the range between MPS Point 14 to Point 33 (a limited number of ranks can have pay points up to 49). These basic ranks provide a wide range of functions in the civil service, covering five job families (JF)s, which includes Internal Support (Corporate Services) (JF 2), Internal Support (Technical and Operation) (JF 3), Public Services (Social & Personal Services) (JF 4), Public Services (Community) (JF 5) and Public Service (Physical Resources) (JF 6). Details of the pay scales and establishment for these 26 basic ranks under QG 8 are illustrated in **Annex E, Table 1**.

## **16.3. Ranks in QG 3 Group I**

- 16.3.1. There are a total of ten basic ranks under QG 3 Group I with different starting pay points to reflect the difference in their entry requirements and special job factors.
- 16.3.2. Their starting pay points in MPS fall primarily between 13 and 15. All of them fall into the JF 4 (Public Services (Social and Personal Services)). Eight out of the ten ranks are paramedical practitioners, which include Registered Nurse, Dental Therapist, Optometrist, Orthoptist II, Occupational Therapist II, Physiotherapist II, Chiropodist II and Radiographer II. For some of the ranks,

there are no longer any established posts for them, which include Orthoptist II, Occupational Therapist II, Physiotherapist II and Chiropodist II. Details of the pay scales and establishment for these ten basic ranks under QG 3 Group I are illustrated in **Annex E, Table 2**.

## **16.4. Ranks in QG 4**

16.4.1. There are a total of 21 ranks under QG 4 with different starting pay points to reflect the difference in their entry requirements. They can be categorised into three groups –

- (a) 16 ranks requiring a Diploma or Higher Certificate in the relevant discipline plus a minimum of three years' of post-qualification experience for appointment. The starting pay of these ranks ranges from MPS Points 11 to 14;
- (b) Four ranks requiring a Diploma or Higher Certificate or an equivalent specialised qualification plus four years or more post-qualification experience. The starting pay of these ranks is at MPS Point 24;
- (c) One rank, which is not an entry rank, but a promotion rank with starting pay of MPS Point 34.

16.4.2. Out of the 21 ranks under QG 4, three of them falls under JF 6 (Public Service – Physical Resources), six falls under JF 3 (Internal Support (Technical and Operation)), and 12 of them falls under JF 7 (Works-Related). Two of these ranks do not have any established posts (i.e. Inspector of Apprentices and Assistant Quarry Manager). Details of the pay scales and establishment for these 21 ranks under QG 4 are illustrated in **Annex E, Table 3**.

## **16.5. Components Collected in the Current Study**

### *QG 8*

16.5.1. The study collects both the actual pay data and pay policy information in relation to the entry-level positions of private sector jobs requiring the same qualifications as in QG 8. As the objective of the study is to gain a thorough understanding of the distinctive features and characteristics of QG 8, positions along the career path of entry-level positions of private sector jobs sharing the same qualification requirement as QG 8 which are below the managerial positions are also covered. In gist, the actual pay data and pay policy information in the following areas are collected from the participating private sector organisations –

- (a) Tier 0: for degree graduate entry-level positions;
- (b) Tier 1: for positions one level above the degree graduate entry-level;
- (c) Tier 2: for positions two levels above the degree graduate entry-level;
- (d) Tier 3: for positions three levels above the degree graduate entry-level; and
- (e) Tiers 4 and 5: (if any) for positions above the degree graduate entry-level and immediately below the managerial positions.

- 16.5.2. For the sake of consistency, we adopt the same methodology for the survey in the study as that of the 2009, 2012, and 2015 SSSs, using the same selection criteria, vetting criteria, data verification and consolidation processes to track the trend of starting salaries of degree-holders over the years. We have conducted analyses based on the following two aggregates of cash compensation –
- (a) Annual base salary – Basic salary plus guaranteed bonus; and
  - (b) Annual total cash compensation – Annual base salary plus any other cash payment (including cash allowances and variable pay), except those that are conditional on specific working conditions (such as occasional overtime, shift or remote location) or on individual circumstances (such as payments for actual reimbursement of business expenses).
- 16.5.3. As in the 2015 SSS, only the cash compensation elements paid to job-holders in the participating organisations as at the agreed survey reference date are collected. Non-cash benefits are excluded as specified in the Inception Report for the Review<sup>10</sup>.
- 16.5.4. Besides the quantitative data, the study also collects the qualitative information on company policy, which covers –
- (a) career progression, turnover rate and training and development opportunities for degree grade jobs;
  - (b) career path for each of the degree graduate entry-level position below managerial positions and the number of levels/grades/bands in the career ladder. Where possible, information on the target number of years of service before progression to the next tier, the actual average number of years of service for progression, the typical progression criteria for the position and the typical next job for progression are also collected.

*QG 3 Group I and QG 4*

- 16.5.5. Similarly, the study collects the actual pay data of entry-level positions requiring the same qualifications as in QG 3 Group I and QG 4 from the participating private sector organisations. For those organisations without any incumbents providing actual pay data, we collect information on the reasons for not having such positions and the related company policies.
- 16.5.6. Details of the data collection kit are attached in **Annex F**.

## **16.6. Selecting Private Sector Organisations**

- 16.6.1. The same criteria for selecting private sector organisations used in the 2015 SSS are adopted for the study.
- 16.6.2. These criteria are as follows –

---

<sup>10</sup> For details, please refer to Inception report on reviewing the civil service pay level survey and starting salaries survey paragraph 6.2.4.

- (a) the selected organisations should be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
- (b) they should be typical employers in their respective fields employing 100 or more employees as at the survey reference date;
- (c) they should collectively have a sufficient number of entry-level jobs that are reasonable counterparts to QG 8 positions in the civil service. Opportunity was taken to include private sector companies which might have counterparts to entry-level jobs in QG 3 Group I and QG 4;
- (d) they should determine pay on the basis of factors and considerations applying to Hong Kong rather than factors applying outside Hong Kong;
- (e) they should not use the Government's pay adjustment or civil service pay scales as the main factor in determining pay adjustments or setting pay levels;
- (f) they should collectively cover a wide range of economic sectors in Hong Kong; and
- (g) they would be treated as separate organisations where pay practices were determined primarily with regard to conditions in the relevant economic sector if they form part of a group in Hong Kong.

16.6.3. We have started with the invitation list of the 2015 SSS which comprises 442 organisations and added 35 additional organisations which may have counterparts to the entry-level jobs of QG 3 Group I and QG 4. In particular, we have endeavoured to solicit the participation of those organisations which took part in the previous SSSs and verify those organisations' compliance with the selection criteria for the study.

## 16.7. Selecting Private Sector Jobs

16.7.1. For comparison with civil service jobs in the respective QGs, pay and relevant information are obtained on private sector jobs which –

- (a) require similar minimum qualifications for appointment as the basic ranks of the civil service grades in the respective QGs;
- (b) perform functions that fall within any of the JFs to which the ranks in the respective QGs belong<sup>11</sup>; and
- (c) should be full-time jobs with salary determined on factors and considerations applicable to Hong Kong only.

16.7.2. Only QG 8, QG 3 Group I and QG 4 are the targets of our current study. Their minimum qualifications for appointment are listed in **Table 21** below.

---

11 Whenever an entry-level job in the private sector requires the same entry qualifications as stipulated under the QG to be included in the survey and its functions fall within the JFs for that QG, its pay will be captured for comparison with all benchmark jobs in that QG.



Table 21 Qualification Groups and Grades and Qualification Requirements for Appointment

<b>QG</b>	<b>Grades and Qualification Requirements</b>
QG 8	Degree and Related Grades
QG 3 Group I	Higher Diploma or Associate Degree Grades
QG 4	Technical Inspectorate and Related Grades: Higher Certificate or equivalent qualification plus experience

16.7.3. Similarly, JF classification is adopted in the current study to ensure functional comparability with the basic ranks in the civil service. Only those full-time positions in the private sector with appropriate job nature, in the sense that the functions they perform fall within any of the JFs relevant to the respective QGs, are compared with the corresponding JF in the civil service. The JFs covered for QG 8, QG 3 Group I and QG 4 are listed below –

Table 22 Job Family covered by QG 8 Basic Ranks

<b>Job Family (JF)</b>	<b>Description</b>
JF 2	Internal Support (Corporate Services)
JF 3	Internal Support (Technical and Operation)
JF 4	Public Services (Social and Personal Services)
JF 5	Public Services (Community)
JF 6	Public Services (Physical Resources)

Table 23 Job Family covered by QG 3 Group I Basic Ranks

<b>Job Family (JF)</b>	<b>Description</b>
JF 4	Public Services (Social and Personal Services)

Table 24 Job Family covered by QG 4

<b>Job Family (JF)</b>	<b>Description</b>
JF 3	Internal Support (Technical and Operation)
JF 6	Public Services (Physical Resources)
JF 7	Works-Related

16.7.4. It is worth noting that there were previous comments from the Staff Sides on the possible inclusion of Works-Related field (JF 7) in collecting pay data of degree graduates. We have examined the proposal and suggest not taking on board the proposal in the Inception Report. Currently, degree graduates in the works-related field with post-academic qualification experience or those who completed a graduate training programme may join the Government at the assistant rank level (e.g. Assistant Engineer). Assistant rank officers may be promoted to the professional rank level (e.g. Engineer) after acquiring the

relevant professional qualification. Both assistant rank officers and professional rank officers are grouped under the same QG, i.e. QG 7 (Professional and Related Grades). For those grades in QG 7 with assistant ranks, the majority are on combined establishment. Given the distinctly different appointment requirements of the assistant ranks in QG 7 and those of other QG 8 ranks, we do not consider it appropriate to include degree graduates in the works-related field in the current study.

## **16.8. Survey Reference Date**

- 16.8.1. Data on basic salary are collected to reflect the position as of the agreed survey reference date of 1 April 2018. For other relevant cash compensation elements, the data collected serve to indicate the amount paid to job holders concerned over the 12-month period prior to the agreed reference date.
- 16.8.2. The agreed survey reference date is consistent with the typical market practice as consulting firms commonly use 1 April as the reference date for pay surveys. It also aligns with the annual pay adjustment date for the civil service. The distribution of salary review month for the participating organisations is shown in **Chapter 17 - Chart 1**.

## **16.9. Vetting Criteria**

- 16.9.1. To ensure data integrity and comparability of the study data with the findings of the previous SSSs, it is essential to have sufficient number of organisations contributing data to the QGs (i.e. QG 8, QG 3 Group I and QG 4) being examined and to have sufficient representative data to cover most of the JF(s) in each QG.
- 16.9.2. We adopt the vetting criteria previously used in the 2009, 2012, and 2015 SSSs, which state that the data points of private sector jobs collected for individual QG should cover -
  - (a) at least 15% of all surveyed organisations or 15 surveyed organisations, whichever is the less; and
  - (b) at least 60% of the JFs identified from the civil service basic ranks in the same QG.
- 16.9.3. These two criteria are applied to generate salary findings for entry-level jobs for QG 8, QG 3 Group I and QG 4 but not positions above entry-level. Other relevant information is also collected to facilitate understanding and analysis of the career progression of degree graduate entry-level positions.

## **16.10. Data Consolidation and Analysis**

- 16.10.1. We adopt the “typical organisation practice approach”, for consolidating pay data from each organisation in individual QGs to generate a single value for market benchmarking purpose. Under this approach –
  - (a) for each QG-JF combination, all incumbents’ pay data of the same job from each organisation are gathered to produce the “first-tier indicator” by

taking the median of all the pay for job-holders of that particular job for that particular organisation;

- (b) afterwards, all first-tier indicators for different jobs from the same organisation in the QG-JF combination concerned are averaged to give a “second-tier indicator”;
  - (c) the second-tier indicator of the organisation is analysed together with such indicators of other surveyed organisations to produce the pay indicators for the QG-JF combination concerned; and
  - (d) the overall pay indicators for a particular QG are calculated by taking a simple average of the pay indicators across different QG-JF combinations in the same QG.
- 16.10.2. The approach avoids the risk of the findings being unduly influenced by a small number of exceptionally low-paying or high-paying organisations with a large number of staff.
- 16.10.3. The pay level information in terms of overall pay indicators is presented in terms of percentiles (such as the 50th and 75th percentiles).
- 16.10.4. In the previous SSSs, the Standing Commission adopted P75 level of private sector pay as the basis for comparison with the civil service benchmark pay in each QG. P75 refers to the level that separates the top 25% paying organisations in respect of the comparable entry-level jobs in the private sector from the 75% lower paying ones. It is based on the general objective that the Government should be a good employer and hence civil service pay should be measured against the better paying private sector jobs. The market upper quartile (i.e. P75) pay level of total cash compensation is similarly used as the basis for comparison with civil service pay in the current study.
- 16.10.5. As greater remuneration flexibility in private sector practice is expected for jobs beyond entry-levels, our observations are not based solely on quantitative figures but information such as company policies is analysed as well.

## **17. Data Collection Process**

### **17.1. Overview**

- 17.1.1. To solicit the support from the targeted organisations for the QG 8 study, invitation letters were issued by post to the chief executives and the human resources directors of 477 private sector organisations, together with the appeal letters from the Standing Commission which proved highly useful in securing the support of the organisations concerned.
- 17.1.2. The same set of invitation documents (including the data collection package) was sent via email to ensure that they were duly received by the target organisations. A dedicated team of consultants then followed up with the targeted organisations to explain the details of the QG 8 study, including the purpose, process and timeline. Three rounds of briefing sessions were conducted for the organisations to explain the background and methodology for the study, answer any questions and enquiries, and seek their support in participation.
- 17.1.3. For those which agreed to participate, individual meetings were conducted with them to facilitate their understanding of the detailed methodology and completion of the questionnaire.

### **17.2. Profiles of the Participating Organisations**

- 17.2.1. Of the 83 organisations which confirmed their willingness to participate in the current study, only 74 of them were able to provide relevant data in time. Information and data gathered from these 74 organisations were then put forth for analysis.
- 17.2.2. The table below shows the 74 participating private sector organisations categorised by economic sector.

Table 25 Distribution of participating organisations by economic sector

<b>Economic Sector</b>	<b>No. of Participating Organisations</b>	<b>%</b>
1. Accommodation and Food Services	2	3%
2. Construction	10	14%
3. Financing, Insurance and Real Estate	16	22%
4. Information and Communications	2	3%
5. Manufacturing	4	5%
6. Professional and Business Services	6	8%
7. Social and Personal Services	15	20%
8. Transport, Storage, Postal, Courier Services and Utility	12	16%
9. Wholesale, Retail and Import/Export	7	9%
<b>Total</b>	<b>74</b>	<b>100%</b>

17.2.3. All the participants meet the criteria for selecting private sector organisations stated in **paragraph 16.6.2**. As shown in the table below, the participants form a reasonable mix of organisation sizes.

Table 26 Distribution of participating organisations by employment size

<b>Employment Size (No. of Staff)</b>	<b>No. of Participating Organisations</b>	<b>%</b>
Above 5,000	11	15%
1,001-5,000	29	39%
501-1,000	16	22%
100-500	18	24%
<b>Total</b>	<b>74</b>	<b>100%</b>

17.2.4. The study covers a twelve-month period from 2 April 2017 to 1 April 2018 (see **Section 16.8**).

17.2.5. **Chart 1** shows the number of participating organisations by salary review month. Majority of the organisations had salary adjustments effected in January and April. Therefore, the survey reference date of 1 April 2018 captures the latest information and up-to-date pay package for their staff.

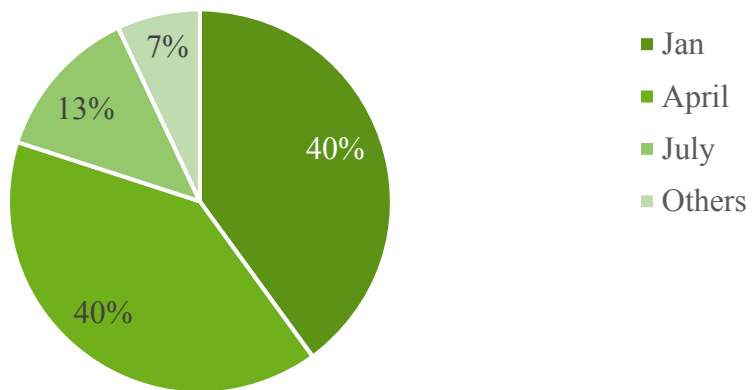


Chart 1 Number of participating organisations by salary review month

## 18. Study Results Analysis

### 18.1. Benchmark Pay of Civil Service QG 8 and Private Sector Pay for Degree Graduate Entry-level Positions

- 18.1.1. Similar to the approach adopted for previous SSSs, we first compare the market pay level with the civil service benchmark pay for QG 8 (i.e. MPS Point 14). For degree graduate entry-level positions in the private sector, the consolidated base salary and total cash compensation at market P75 pay level based on the data collected are as follows —

Table 27 Benchmark pay of civil service QG 8 and private sector pay for degree graduate entry-level positions

Private Sector Pay for Degree Graduate Entry-level Positions				Civil Service QG 8
Base Salary Market Upper Quartile (P75) \$		Total Cash Compensation Market Upper Quartile (P75) \$		Benchmark Pay \$
Annual	Monthly	Annual	Monthly	Monthly
253,687	21,141	276,538	23,045	28,725

- 18.1.2. The result shows that the upper quartile of total cash compensation for the degree entry jobs in the private sector is 19.8% lower than the benchmark pay for the basic ranks under QG 8 in the civil service.
- 18.1.3. If we trace the results from the last three rounds of SSSs, a widening gap can be seen between the private sector pay for degree graduate entry-level positions and the benchmark pay for QG 8 even though the latter was adjusted downwards by two pay points on conclusion of the 2009 SSS.

Table 28 Difference between the QG 8 benchmark pay and private sector pay (market upper quartile) for degree graduate entry-level positions for the previous SSSs and the current study

SSS	Private Sector Pay for Degree Graduates Total Cash Compensation Market Upper Quartile (P75) \$	Civil Service QG 8 Benchmark Pay	% Difference (Adjustment on QG 8 benchmark pay after SSS)
2009	\$ 18,504	\$ 21,880 (subsequently adjusted to \$19,835)	-15.4% (lowered by 2 pay points)
2012	\$ 20,432 (+10.4%)*	\$ 22,405 (+13.0%)*	-8.8% (No adjustment)
2015	\$ 21,590 (+5.7%)*	\$ 25,505 (+13.8%)*	-15.3% (No adjustment)
2018	\$ 23,045 (+6.7%)* (Accumulated % of increase in pay in comparison with 2012)	\$ 28,725 (+12.6%)*	-19.8%
	+12.8% <sup>1</sup>	+28.2% <sup>2</sup>	

\*The figure in bracket represents the percentage of increase in pay in comparison with previous SSS.

<sup>1</sup> The 12.8% increase was calculated by comparing pay for degree graduate entry-level positions in the private sector (P75) in 2018 (\$23,045) and that of 2012 (\$20,432), i.e.  $(\$23,045 - \$20,432) \div \$20,432 = +12.8\%$

<sup>2</sup> The 28.2% increase was calculated by comparing the civil service QG 8 benchmark pay in 2018 (\$28,725) and that of 2012 (\$22,405), i.e.  $(\$28,725 - \$22,405) \div \$22,405 = +28.2\%$

18.1.4. In 2009, the SSS results revealed that there was a -15.4% difference between the private sector pay for degree graduate entry-level positions versus the benchmark pay of civil service QG 8. A two-point downward adjustment was implemented for the benchmark pay of QG 8, i.e. from MPS Point 16 to MPS Point 14. Since then, a -8.8% gap was found between the private sector pay for degree graduate entry-level positions and the benchmark pay for QG 8 in the 2012 SSS, a -15.3% gap in the 2015 SSS, and a -19.8% gap in the current study in 2018 (details shown in **Table 28**).

18.1.5. A closer look at the private market pay level reveals that the growth of private sector pay for degree entry jobs has been moderate. As shown in **Table 28**, the accumulated percentage of increase in the pay for degree entry jobs from 2012 to 2018 in the private sector is only 12.8%, which is substantially lower than the 28.2% growth rate for the benchmark pay of civil service QG 8. We will also elaborate further on how the supply and demand of degree graduates may have led to a modest pay rise of them in **Chapter 21**.

18.1.6. As part of the general civil service pay adjustment, the starting salaries for QG 8 ranks are adjusted annually, having regard to the established civil service pay adjustment mechanism. Besides the net Pay Trend Indicators (PTIs), factors such as the state of Hong Kong's economy, changes in the cost of living, the Government's fiscal position, the pay claims of the Staff Sides and civil service morale are also taken into account in determining the annual civil service pay



adjustment. Pay adjustment in the private sector, on the other hand, are affected by market supply and demand, company performance, level of responsibilities in the organisation and employees' individual performance. Even if taken into account, the civil service pay adjustment is but one of the factors considered. The different remuneration practices of the private sector and Government have indeed contributed to the widening gap between the benchmark pay of QG 8 and the pay of private sector degree graduate entry-level positions since 2009. While all qualified degree graduates found suitable for appointment to a QG 8 entry rank are offered the same pay by the Government, different pay may be awarded to different incumbents of the same entry-level positions in a private organisation. The pay to be offered to each candidate selected, within an acceptable range, is determined having regard to factors such as specific skills, personal qualities and attributes, and experience.

## **18.2. Pay Variance Analysis for Private Sector Degree Graduate Entry-level Positions**

### *Pay Mix*

- 18.2.1. Notwithstanding that some private sector jobs have variable pay mixes from bonuses or other allowances, our study results indicate that for degree graduate entry-level positions, the pay mix is relatively consistent. The current study collects information on both the base salary (i.e. the sum of basic salary and guaranteed bonus) and the total cash compensation (i.e. base salary together with cash allowance and variable pay). Our findings reveal that the common types of allowances provided by the private sector include regular shift allowance, overtime allowance and transport allowance; while the other cash remunerations (i.e. total cash compensation minus base salary) account for 8.3% of the total cash compensation. This finding is in line with the general practice of the level of cash allowances and variable pay in Hong Kong for an entry-level job.

### *Pay dispersion*

- 18.2.2. The degree of variance (as the ratio of P75 to P25) for the pay data collected from the private sector for the degree graduate entry-level positions is used as a measure of dispersion for the total cash compensation values.
- 18.2.3. In the current study, the variance for the data collected from the private sector for degree entry jobs is 1.36. While the figure is comparatively lower than that of the survey findings from the 2015 SSS (1.43), it is still higher than that of most other QGs in the 2015 SSS. The findings suggest that the total cash compensation paid to the degree entry-level positions in the private sector are more widely spread compared with other QGs.
- 18.2.4. This echoes the result and observation from the 2015 SSS which suggested that degree graduates in the private sector were employed in a wide range of entry positions across different job families with very diverse pay practices. The employers in the private sector tend to recruit degree graduates for different job

nature and level of responsibilities. It is further supported by the results in previous SSSs that QG 8 is the group that has the largest number of participating organisations contributing data in the survey. This potentially leads to the highly varied pay package offered for this QG. The current study shows that typical functions taken up by degree graduates in the private sector include human resources, accounting, information technology and administration under JF 2 (Internal Support (Corporate Services)), project management, logistics support and quality assurance under JF 3 (Internal Support (Technical and Operation)), paramedic under JF 4 (Public Services (Social and Personal Services)), event management, publicity and customer interface under JF 5 (Public Services (Community)), and facilities and building management under JF 6 (Public Services (Physical Resources)).

- 18.2.5. In-depth analyses are also carried out on the pay dispersion of the total cash compensation within each job family (from the 10th, 25th, 50th, 75th and 90th percentiles) and across job families (JF 2, JF 3, JF 4, JF 5 and JF 6), the results of which are shown in the table below.

Table 29 Total cash compensation for QG 8 in private sector by job families and percentiles

Job Families (JF)	Private Sector - Total Cash Compensation					
	P10	Lower Quartile P25	Median P50	Upper Quartile P75	P90	Variance (P75 / P25)
JF 2	13,500	15,052	19,684	22,920	25,938	1.52
JF 3	13,955	15,186	18,475	22,117	24,681	1.46
JF 4	16,272	19,676	22,136	25,217	29,083	1.28
JF 5	13,966	15,530	19,262	22,441	28,314	1.45
JF 6	16,939	19,315	20,830	22,529	25,073	1.17
QG 8	14,926	16,952	20,077	23,045	26,618	1.36
<b>Difference in the pay between the two sectors</b>				<b>-19.8%</b>		
<b>2018 Civil Service Benchmark Entry Pay for QG 8</b>				<b>28,725</b>		

- 18.2.6. It is observed that the monthly pay for degree graduates can vary from as low as \$13,500 per month (P10 under JF 2) to \$29,083 (P90 under JF 4) with the latter being about 2.15 times of the former.

- 18.2.7. A multiplicity of factors contribute to this pay dispersion. Market supply and demand for specific professional knowledge or skills may be a major factor. For example, the JF 4 (Public Service (Social and Personal Services)) has the highest pay than the other JFs in the view of the professional skills required and keen competition for talent in the labour market. Most of the surveyed organisations have to compete fiercely with the Hospital Authority (which is the largest employer of positions such as nurses or occupational therapists and whose pay is aligned with that of the civil service) by offering a more aggressive pay to attract and retain talent in the paramedical field. For the private sector, the P75 level of JF 4 (\$25,217) is the highest among all the JFs

for QG 8. It is worthy to note that similar positions (e.g. Registered Nurse and Occupational Therapist II) from the civil service are categorised into QG 3 Group I instead of QG 8. The above shows an interesting fact that even though the differential between the pay of the degree graduate entry-level positions in the private sector and that of the QG 8 in the civil service has been widening, the specific cases of paramedical jobs appear to be less influenced by this downward pressure. Indeed, as explained earlier, the private sector pay is more dictated by the market demand and supply of skills and/or experience needed for different types of jobs than by a certain level of qualifications. We will also elaborate more in **Chapters 22 and 23** how the classification of JF 4 in the civil service affects the data collection process.

- 18.2.8. Another example is JF 6 (Public Service (Physical Resources)) which has a rather high P10 market entry pay for degree graduates as compared with other JFs. Typical private sector jobs collected for this JF are usually related to real estate management, such as Property Assistant, for which market competition is also keen and the demand is high. The difference between the P10 and P90 market pay levels for positions in this JF is also found to be less than those for other JFs. This shows that organisations are willing to set a better package to attract and retain talent to jobs in JF 6.
- 18.2.9. Another factor leading to the wide pay dispersion can be attributed to the large variety of roles being offered to degree graduates. For example, JF 2 (Internal Support (Corporate Services)) has the highest dispersion in the pay from P10 to P90. Degree graduate entry-level positions in this JF from the private sector vary from general positions like Administrative Assistant to positions requiring specialised knowledge like Legal Assistant and IT programmer. The large dispersion in entry pay for this JF can be explained by the diverse natures of the jobs there.
- 18.2.10. Also, pay differentials are often common for different streams of jobs in the same organisation in the private sector. One company may offer higher pay for employees of departments that are profit centres, while lower pay is given to those who provide backend support. For example, in our survey, one financial service company recruited degree graduate for the positions of Customer Service Ambassador and Business Development Officer, with the latter position given an 80% higher salary.
- 18.2.11. Even within the same company under the same job family, private sector companies may offer different pay to degree graduates according to their calibre and abilities. For example, in JF 3 (Internal Support (Technical & Operation)), a company recruited degree graduates for the position of Planning & Support Assistant and Project Control Officer. The latter position enjoys a 30% higher salary.
- 18.2.12. We find that 75 % of the participating private sector organisations recruit degree graduates with more experience than what is required for their respective positions. Unlike the Government which recruits strictly in accordance with the stipulated qualification and experience requirements (which means that

candidates possessing higher qualification or greater experience than the stipulated requirements will not normally enjoy any pay premium), 45% of the participating organisations are willing to accept degree graduates with less experience than what their jobs required (**Table 30**). It is common for private organisations to recruit candidates with lower work experience than job requirement if they are deemed good enough for the position. Such recruits are normally paid at the lower end of their pay range while experienced recruits are offered salaries at the top of their range. This echoes with **paragraph 18.1.6** that private sector organisations determine the entry pay of degree graduates in a way different from the civil service practice. While entry pay in the civil service is determined primarily on the basis of qualification and/or experience, factors like job nature, market demand and supply and level of responsibilities in the organisation are considered by the private sector in pay determination. Moreover, as explained in **paragraph 20.1.3**, the civil service recruits degree graduates who have the skills and potential needed for them to rise to senior positions in their respective grades.

Table 30 Arrangement for candidates with different work experience

<b>Will the salary of entry-level jobs be under the same salary range in the following situations?</b>	<b>Percentage of Yes</b>
academically qualified but with lower experience than the job requirement	45%
academically qualified but with higher experience than the job requirement	75%

18.2.13. Under the QG-JF framework, groups of jobs are compared primarily based on the similarity of entry requirements and job functions regardless of their job nature and level of responsibilities. Although functions of jobs for the respective QGs are considered in the collection process and data are categorised into respective JFs for consolidation, it has to be recognised that certain private sector jobs examined in this study (and in previous SSSs) may not find comparables in QG 8 of the civil service if we go a step further and consider their concrete job nature.

18.2.14. It is worth exploring therefore if a more precise selection of private sector jobs should be made when comparing them with QG 8 in the future.

## 19. Pay Progression of Degree Graduates in the Civil Service (QG 8) and the Private Sector

- 19.1.1. As mentioned in **paragraph 15.4.1** above, one of the main objectives of this study is to look at the progression in pay for degree graduates over a longer time frame in addition to taking the snapshot at the point of entry.
- 19.1.2. For career advancement in the private sector, there are typically three different types of scenarios. The first category, commonly known as “promotion”, refers to advancement from a non-managerial position to any managerial position within the organisation. The second category, known as “career progression”, refers to the movement up the different tiers in the career ladder, before the managerial positions. This could be further divided into natural progression, with steady advancement along the career ladder; or rapid progression from one non-managerial position to another.
- 19.1.3. As explained in **Chapter 16**, pay policy for managerial positions is in general less structured and more flexible as compared to the entry-level positions. There are practical difficulties in relating such a large variance of pay data to the job progression perspective. Therefore, only pay data for the pre-managerial positions along the career ladder of degree graduate entry-level positions are collected in the current study.
- 19.1.4. In this study, all the participating organisations provide information on the career progression of degree graduates. However, not all divisions or job families (e.g. Customer Service) have a career path up to the managerial level. By analysing the information for career progression before the managerial level, majority of the participating organisations said they have 3 to 4 tiers of progression. 40.7% of the organisations responded that they have 3 tiers of positions before the managerial positions, 35.2% reported having 4 tiers, and 24.1% have only 2 tiers.
- 19.1.5. It is observed that among the job holders who progress to the next tier of positions in their career ladder, they have to serve 2 to 3 years on average before advancing to the next tier. From **Table 31** below, it can be seen that a degree graduate typically takes approximately 11 years to reach the top tier of their non-managerial hierarchy in the private sector, while progression for each tier takes approximately 2 to 3 years.

Table 31 Average years for progression from one tier to the next tier of position

Tiers	Average Years for Progression to Next Tier	Equivalent Year of Service
Tier 0 to 1	+ 2 years	2 <sup>nd</sup> year
Tier 1 to 2	+ 3 years	5 <sup>th</sup> year
Tier 2 to 3	+ 3 years	8 <sup>th</sup> year
Tier 3 to 4	+ 3 years	11 <sup>th</sup> year

19.1.6. Different from the practice of the civil service where an increment is awarded every year subject to satisfactory performance, private sector organisations only reward a limited group of staff with outstanding performance by a higher rate of pay adjustment. Therefore, the differences in aggregated pay levels from year to year are not obvious, except in the year when there is progression from one tier to another. With reference to the typical progression year, we consolidate the upper quartile of total cash compensation for the 2<sup>nd</sup>, 5<sup>th</sup>, 8<sup>th</sup> and 11<sup>th</sup> year of the job holders' year of service and form a pay curve to show the increase in pay for the degree graduates. Please refer to the **Table 32** for details.

Table 32 A comparison of the pay of an officer with starting pay at MPS Point 14 (existing benchmark for QG 8) and the corresponding market P75 pay levels from Year 0 to Year 11

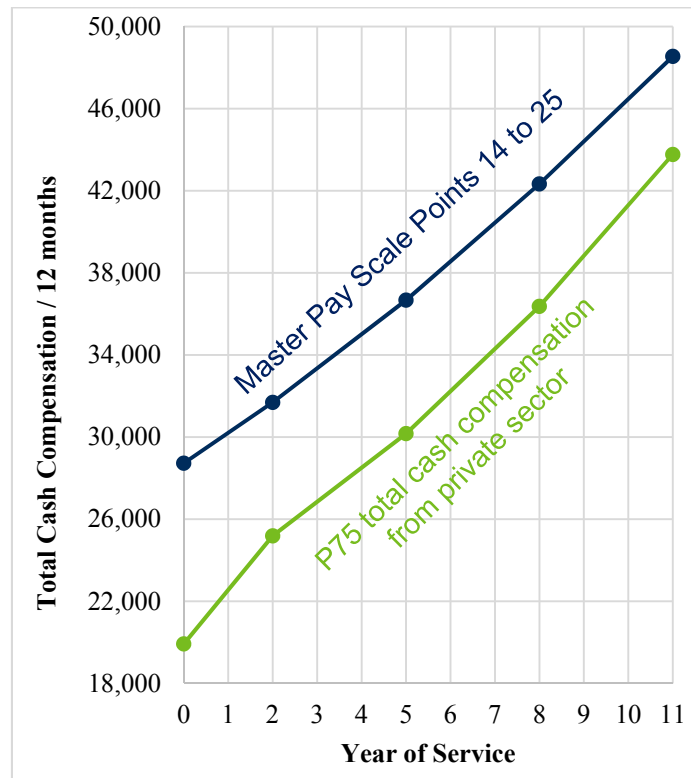
Year of Service	Civil Service			Private Sector Total Cash Compensation P75 / 12 months		% Difference
	Pay Point	\$	Accumulated % of pay increase	\$	Accumulated % of pay increase	
0	Point 14	28,725	n/a	\$ 19,923	n/a	-30.6%
2	Point 16	31,685	+10.3%	\$ 25,186	+26.4%	-20.5%
5	Point 19	36,665	+27.6%	\$ 30,165	+51.4%	-17.7%
8	Point 22	42,330	+47.4%	\$ 36,366	+82.5%	-14.1%
11	Point 25	48,540	+69.0%	\$ 43,763	+119.7%	-9.8%

19.1.7. The figure (\$19,923) in the above table is different from the one quoted in **Table 28** for year 0 graduates (\$23,045). The difference is a result of data compilation derived from two methods in the present study. Under the first method, an average is calculated from the salaries of all positions whose minimum requirement is a degree plus 0 to 1 year of working experience, while under the second method, an average is calculated from the actual salaries received by incumbents and grouped according to their years of experience. It ends up that in compiling the longitudinal data of individuals in the private sector, the starting salary at less than one year is \$19,923.

19.1.8. For the purposes of comparing the pay progression of degree graduates in the private sector and those in QG 8 ranks in the civil service, we track the pay for non-managerial job holders along the first 11 years of their career path. For private sector organisations, a pay curve is plotted using the average P75 pay indicator for degree graduates with 0 to 11 years of working experience. For the civil service, a similar pay curve is plotted using MPS Point 14 as starting pay for QG 8 (16 out of 26 basic ranks for QG 8 have their starting pay pitched at the benchmark of MPS Point 14). The change in pay is tracked on an 11-year time frame assuming an officer has a yearly pay adjustment from annual increment.

- 19.1.9. Pay rise following promotion to the next higher rank in the civil service is not taken into account for comparison since job-holders in next higher ranks of QG 8 usually assume managerial roles which are outside the scope of this study.
- 19.1.10. The comparison of the pay curves of the civil service and private sector is shown in **Chart 2** below —

Chart 2 Comparison of the civil service pay and the private sector pay



- 19.1.11. The curves show that the pay of the degree graduates in the private sector grows at a faster rate as compared to the civil service benchmark pay for QG 8 along an 11-year period. The pay gap between the two sectors for degree graduate positions narrows from -30.6% at entry to -9.8% at the 11<sup>th</sup> year. With each progression, the increase in pay for the private sector is higher than the gradual and stable incremental progression of the civil service, resulting in a narrowing of the gap.
- 19.1.12. In the private sector, prior to managerial positions, degree graduates have career progression opportunities (i.e. Tier 0 to 1, Tier 1 to 2 etc.) There are also other situations where private sector degree graduates may receive even higher pay progression. For example, management trainee and fast-tracking programmes that allow high performers to be promoted to managerial positions in short periods of time and receive significant pay increases are not reflected in the above comparison. Job switching which occurs frequently during the early career of degree graduates and the higher pay jumps associated with each job switch are also not shown.
- 19.1.13. The pay progression curve for the private sector is only a generalised one depicting the average trend in the organisations surveyed over an 11-year

period. Given the diverse human resources management policies and practices adopted by different private sector organisations, the actual positions in respect of individual organisations differ significantly. Frequent hiring at various levels of the organisation rather than talent development from within, for example, may generate two highly different pay progression patterns.

- 19.1.14. The longitudinal data for the private sector must also be interpreted with the caveat that it is not a real tracking of the pay progression of a particular individual, as the data from private sector organisations can only report the general pay progression of non-managerial positions from year 0 to year 11. Unlike the pay of an individual officer in the civil service which can be tracked, it is not possible to track the pay of the same degree graduate across different organisations and over time. It is important therefore for the pay gap identified in this study to be interpreted with other qualitative information in mind, such as the human resources management practices adopted by the civil service and private sector which we will discuss in the next chapter.



## **20. Inherent Differences between the Civil Service and the Private Sector in Human Resources Management Practices**

### **20.1. Overview**

- 20.1.1. Fundamentally, the roles and responsibilities of the Government are different from those of the private sector. The unique features and inherent differences between the civil service and the private sector (an overview of its typical pay practices set out in **Chapter 2**) should be well recognised before making any decisions or adjustments to pay levels.
- 20.1.2. When recruiting entry-level jobs, the private sector places more emphasis on the current performance of candidates rather than the future potential. Private organisations commonly recruit at different levels, with highly flexible arrangements for internal promotions and transfers. Talent development, if available, is accorded a lower priority. Staff retention and continuity are less crucial in the private sector, particularly at entry levels as specific expertise may be brought in for a specified period to handle special functions that may lapse over time.
- 20.1.3. On the contrary, civil service recruitment places as much emphasis on the future potential of candidates as their current aptitudes. Civil services recruitment is confined principally to the basic or entry ranks. Therefore, at the time of intake, candidates are assessed also on the skills and potential needed for them to rise to the senior positions in their respective grades. Staff retention, development and continuity are key to maintaining stability in the civil service.
- 20.1.4. Also, pay adjustment decisions in the private sector are seldom based mechanically and solely on the outcomes of pay surveys. Different relevant factors, including the financial position of the firm, staff turnover and availability of talents, general economic situation, policies of competitors, internal and external relativities, etc. are often considered as a totality in such decisions. With the increase in the number of degree places offered by local tertiary institution in the recent two decades, the labour market needs to absorb the large influx of degree graduates for different industries and positions. This, in turn, has shifted the qualification requirement and the remuneration packages offered.
- 20.1.5. Apart from the comparison of pay between graduates in the civil service and private sector, we have collected information on the human resources policies and practices of the private sector and how they differ from those of the civil service in terms of say, career progression, turnover, training and development opportunities, etc. for degree graduates. We have also conducted research on the supply and demand of degree graduates and the potential impact on the labour market.

- 20.1.6. In the light of these inherent differences in between the two sectors, we consider that a more holistic approach should be taken when applying the results of future pay surveys on QG 8.

## **20.2. Career Progression**

- 20.2.1. As discussed in **paragraph 19.1.2**, there are different scenarios for career advancement in the private sector.
- 20.2.2. The first category or a solid promotion, usually involves significant changes in accountability, role and responsibilities (e.g. from individual contributor to people manager). Such opportunities are generally restrained by available vacancies in management positions of the organisation. These opportunities may also become available when there is an organisation restructuring or when the organisation grows in scale significant enough to warrant additional management positions.
- 20.2.3. Prior to managerial level, depending on the design of jobs and the organisation structure, private sector organisations can have different numbers of tiers for staff to progress. The position titles in these tiers are typically referred to as “Assistant (Tier 0)”, “Assistant Officer (Tier 1)”, “Officer (Tier 2)”, and “Senior Officer (Tier 3)”.
- 20.2.4. These tiers serve to differentiate the skill set and seniority of the employees or to recognise their performance and contributions to the organisation. The higher tiers are usually responsible for handling more complicated work processes or supervising junior staff. They also serve as a means to retain and motivate capable staff by showing them that a career ladder is available for their progression before managerial level.
- 20.2.5. Unlike the Government which values length of service and work experience (which are taken to reflect capability and calibre) when considering advancement of its employees, career progression in the private sector is more varied and largely influenced by individual performance, performance of the organisation and market situation.
- 20.2.6. The study shows that 7.1% to 15.0% of staff can be progressed to the next tier annually, and staff occupying positions at the lower tiers tend to have greater opportunity for progression when compared with those in the upper tiers which require higher capabilities for advancement.

Table 33 Career progression in 2015-16, 2016-17 and 2017-18

Tiers	Year of Service	Promotion Rate (%)		
		2015-16	2016-17	2017-18
Tier 0 to 1	2 <sup>nd</sup> year	12.9%	11.9%	15.0%
Tier 1 to 2	5 <sup>th</sup> year	10.0%	12.3%	11.1%
Tier 2 to 3	8 <sup>th</sup> year	7.6%	6.9%	11.0%
Tier 3 to 4	11 <sup>th</sup> year	7.1%	9.7%	12.3%

*Note: Average rate for each tier was collected from each participating company, data of all organisations was then ranked from lowest to the highest; the median (P50) of these figures is presented above.*

20.2.7. Most of the surveyed organisations (68%) only have one salary structure for degree graduates, while others have up to four salary structures in place (e.g. there may be multiple salary structures for different departments) (**Table 34**). This aligns with the findings of pay dispersion across different JFs and some organisations may wish to use multiple salary structures to manage departments with large variance in market pay. The organisations using multiple salary structures come from various sectors, such as hospitality, food & beverage, construction, etc. However, no correlation is found between the number of salary structures for degree graduates in the organisation or the pay offered to degree graduates and the availability of career progression opportunities.

Table 34 Number of salary structures for degree graduate entry-level positions

Number of salary structures	1	2	3	4
Percentage of organisations	68%	19%	8%	5%

20.2.8. Some of the leading and sizable organisations offer management trainee or fast track programmes to systematically recruit and retain high calibre or high performing staff. 30% of the surveyed organisations offer fast track promotions to Tier 0 positions, while 23%, 16% and 13% of organisations offered the same for Tier 1, 2 and 3 positions respectively. Smaller sized organisations are found to have more rapid progressions and fast promotions (**Table 35**). Employees with high potential or who demonstrate outstanding performance in the organisation can be fast tracked and promoted quickly to higher tiers, or even to managerial levels in short periods of time after completing the programmes, say within three to five years. This finding aligns with the observation in the 2015 SSS that the potential for career progression of degree graduates in the private sector can be higher than those in the civil service after their calibres are proven.

Table 35 Organisations with different headcount providing fast track programme

<b>Headcount of the organisations</b>	<b>Percentage of organisations providing a fast track programme</b>
<500	36%
>=500 & <5000	32%
>= 5000	13%

20.2.9. Since the present study on QG 8 do not cover the pay for managerial level for practical purposes, we cannot track the increase in pay for the promotion from non-managerial to managerial level in a very detailed timeline. However, as a reference to the pay for managerial level, information from our in-house pay survey indicates the increase in pay could range from +153% to +217%<sup>12</sup> for the degree graduates progressing up from entry position to managerial level.

20.2.10. The civil service on the other hand tends to be hierarchical with well-established grades/ ranks and gradual progression arrangements. Structured training is provided for development of various grades / ranks, and places strong emphasis on seniority and experience acquired through year of service. Career progression is steady and gradual with the aim to maintain a stable workforce to serve the public in a consistent manner. The need to maintain skills and work experience and ability to adapt to the organisation culture are also essential as these are not readily available nor replaceable from the private sector.

### **20.3. Staff Turnover**

20.3.1. The study shows that turnover rates for graduate positions in the private sector ranged from 9.5% to 19.9% in last 3 years (2015-16 to 2017-18) which were significantly higher than the civil service of 1.4% to 1.5%. The following table shows the employee turnover rates from 2015-16 to 2017-18 at different tiers. Junior positions at tier 0 and 1 consistently have relative higher turnover rate than the higher tiers in these years. It aligns with our understanding that degree graduates at the early years of employment or lower tiers of positions tend to switch their jobs for better prospects or pay packages across organisations.

---

<sup>12</sup> The P75 pay level of actual salaries received by incumbents of degree entry positions with experience less than one year (i.e. \$19,923) is used as the basis of comparison.

Table 36 Staff turnover rate by different tiers in 2015-16, 2016-17 and 2017-18

Tier of positions	Employee turnover rate* (%)		
	2015-16	2016-17	2017-18
Tier 3	10.6%	9.7%	9.5%
Tier 2	13.0%	12.0%	14.3%
Tier 1	13.2%	14.0%	15.2%
Tier 0	16.1%	19.9%	18.0%

\* Average turnover rate for each tier was collected from each participating company, data of all organisations was then ranked from lowest to the highest; the median (P50) of these figures is presented above.

20.3.2. Organisations that offered higher pay tend to have lower turnover rates. No correlation is found, however, between turnover rate and company size, or between turnover rate and promotion or progression rate. Indeed, there are many other reasons for an employee to leave a company including personal reasons, dis-interest in the job/industry, relationship with managers and peers etc. Pay seems to be a major reason with a strong correlation with the turnover rate.

20.3.3. Also, private sector is more dynamic in responding to the market and economic situations. External business environment impacts significantly on the security of private sector jobs. A flexible hire-and-fire practice allows recruitment and severance decisions to be taken expeditiously when needed. It is common for the private sector to make frequent changes to the workforce to maximise profit. Some healthy turnover is expected or even desired.

20.3.4. On the other hand, a stable and permanent workforce is essential to the civil service for its smooth running and the efficient delivery of public services without disruption. Employment in the civil service is normally considered to be permanent, subjected to good conduct and performance, until the prescribed retirement age. Thus, job security is a salient feature underlying a stable civil service.

## 20.4. Training and Development Opportunities

20.4.1. According to the study, over half of the surveyed organisations provided formal training and development programmes for their staff. Different tiers of positions may receive different natures of training opportunities. The nature of training is broadly classified into two categories –

- (a) Technical skill such as use of equipment, legal and compliance knowledge, and project management;
- (b) Soft skill such as change management, writing and presentation skill, leadership programme etc.

20.4.2. It is observed that the positions at lower tiers or newly-joined employees tend to have more opportunities on technical training, such as product knowledge and customer service skills, to facilitate their acquisition of the required knowledge and skills to perform their job duties. Tier 3 also have relatively more

opportunities than the tier 2 on training and development, and the training is more on the soft skill likes change management and leadership programme since staff at this tier has higher potential to be groomed to managerial level.

Table 37 Percentage of organisations provide training and development opportunities to the staff

<b>Tier of positions</b>	<b>Percentage of organisations (%)</b>
Tier 3	40%
Tier 2	33%
Tier 1	50%
Tier 0	59%

- 20.4.3. Besides pay and advancement opportunities, well-structured training and development programmes provided by an organisation help to enhance their competitiveness in attracting market talent. Training and development may be viewed therefore as an integral part of an organisation’s total reward package for its employees.
- 20.4.4. The civil service on the other hand provides comprehensive and structured training to new recruits. The training programmes aim at improving the core competencies of the staff and emphasise their career development in long term to get well prepared for taking up challenges at senior levels in the future.
- 20.4.5. Different from the practice of civil service that recruitments are confined to basic ranks, private sector commonly recruits at different levels and open in response to the business and operational needs. Talent development, if available, is accorded a relatively lower priority. They can be flexible in pay determination to compete for talents with required skills and competencies from the market. This inherent difference results in the different practices in training and development for staff in the two sectors.

## **20.5. Limitations in the Analysis**

- 20.5.1. The current study not only provides a comparison on the private sector pay for degree entry positions versus that of the civil service QG 8 benchmark pay, it has also collected information such as the pay progression along the career ladder and the inherent difference in the human resources practice between the two sectors (i.e. progression opportunities, turnover rate, training opportunities). While these provide us with a more in-depth snapshot of the unique features of this QG, there are some limitations of the study worthy of note, including –

- (a) The exclusion of managerial positions:

Given the objective of the current study, information regarding managerial positions and above are not collected as the pay for managerial positions is less reflective from the job progression perspective. Other variables such as individual performance, talent

supply, economic cycle, business performance, etc may significantly affect both the speed of promotion and the pay for managerial positions.

Also, some organisations provide management trainee and fast-tracking programme that allow high calibre and good performers to be promoted to management levels in shorter period of time, say three to five years with significant increases in salary. Again, such pay increases are not captured in the current study.

(b) Pay snapshot rather than a longitudinal study:

The current study only captures the pay of different degree graduates across different tiers and year of service in an organisation. It is not practical to track the change in the actual pay of the same degree graduates across different organisations and over time. Job holders can also switch their jobs across different organisations for better career opportunities and better pay package. This progression in pay can be significant but it cannot be captured in the study.

Despite the above limitations, this study is representative in reflecting the situation of pay for most degree graduates positions and the results should be interpreted in a holistic manner together with the other qualitative information collected.

- 20.5.2. The next chapter will provide a macro context in terms of the supply and demand of degree graduates and its interface with the pay of the degree graduates for the purpose of indicating a holistic and broad understanding of the difference of the pay between the civil service (QG 8) and the degree graduates in the private sector.

## 21. Supply and Demand of Degree Graduates

- 21.1.1. As shown in the results from the study in **Table 28**, the increase in entry pay for degree graduates has maintained a modest growth rate in recent years and the gap between the two sectors has continued to widen since 2012. Apart from the inherent differences between the civil service and private sector discussed in the previous chapter, this situation can also be explained by the change in demand and supply for degree graduates. The large influx of degree graduates into various sectors and positions in the labour market has shifted the qualification requirement and remuneration packages offered to degree entry positions in the private sector. In this chapter, we will take a closer look at the supply and demand of degree graduates and how it affected their pay.
- 21.1.2. According to the figures available from the University Grants Committee (UGC), the total number of full-time degree graduates in Hong Kong has maintained a steady growth rate annually. Since the expansion of the accredited self-financing institutions, the increase in total number of degree graduates was accumulated to 66.1% between the year of 2009-10 to 2015-16. The increase in number of graduates of accredited self-financing full-time degree programmes more than doubled from 2009-10 to 2015-16, while those of UGC-funded degree programmes also showed a 23.1% increase.

Table 38 Number of Full-time Degree Graduates by Years

Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>UGC-funded (accumulated increase)</b>	16,724	17,143	17,136	17,439	17,996	19,107	20,585
		(+2.5%)	(+2.5%)	(+4.3%)	(+7.6%)	(+14.2%)	(+23.1%)
<b>Self-financing institution (accumulated increase)</b>	4,226	5,217	5,918	7,696	9,706	11,054	14,212
		(+23.5%)	(+40.0%)	(+82.1%)	(+129.7%)	(+161.6%)	(+236.3%)
<b>Total no. of degree graduates (accumulated increase)</b>	20,950	22,360	23,054	25,135	27,702	30,161	34,797
		(+6.7%)	(+10.0%)	(+20.0%)	(+32.2%)	(+44.0%)	(+66.1%)
		<b>Year to year increase in the number of degree graduates</b>					
		+6.7%	+3.1%	+9.0%	+10.2%	+8.9%	+15.4%

*The figures in bracket show the accumulated growth rate of degree graduates from 2009-10*  
*Data source: Data on UGC-funded programmes and self-financing institution are provided by the UGC Secretariat and Education Bureau respectively.*

- 21.1.3. The figures quoted in the table only represent the number of graduates from local education institutions. Hong Kong, as one of the best talent hubs (ranked 12 out of 63 economies in 2017<sup>13</sup>) in the world, attracts and retains talents from the Mainland and all other parts of the world. The actual increase in supply of new graduates for labour market should be more than the figures quoted in

13 Source: Institute for Management Development, "IMD World Talent Ranking 2017", November 2017.

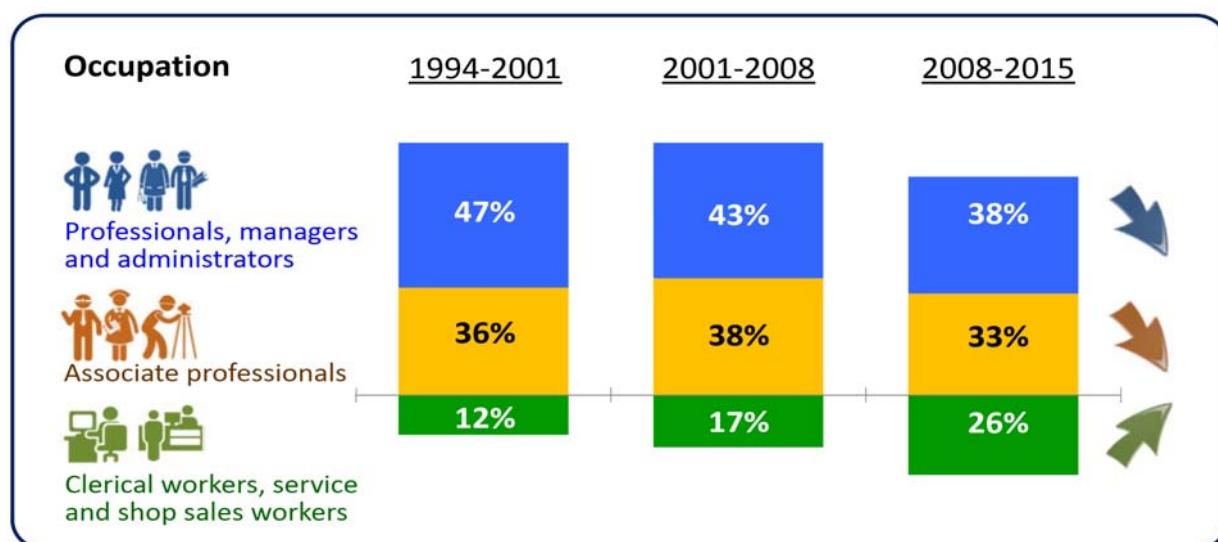


above table. The moderated growth in the entry pay for degree graduates suggests that they do not have much bargaining power to exert pressure to employers for a more attractive pay package.

21.1.4. The increase in total supply of degree graduates in the labour market is further confirmed by a report issued by the Research Office of the Legislative Council Secretariat in June 2016<sup>14</sup>. There is continued expansion of tertiary education in Hong Kong, the proportion of degree graduates in overall workforce has been tripled from 9% to 29% during the period from 1994 to 2015. On the other hand, the report also revealed that the creation of high-end jobs in the private sector, such as managerial and professional positions, is unable to keep pace with the increasing supply of degree graduates over last decades. The trend shows that additional degree graduates are shifting from managerial and professional and associate professional positions toward lower-end jobs such as clerks and service workers which require less professional knowledge and have relatively lower pay package.

21.1.5. In the detailed analysis quoted from the report, the creation of managerial and professional jobs during the period from 2008 to 2015 could absorb only 38% of additional degree graduates which was noticeable down from 47% during the period from 1994 to 2001. 33% of the additional degree graduates took up associate professionals during 2008 to 2015 which was also down from 38% during the period from 2001 to 2008. 26% of the additional degree graduates' turnouts took up lower-end jobs to work as clerks and service workers during the period from 2008 to 2015, more than twice the figures of 12% during the period from 1994 to 2001. Some of the jobs used to be filled by lower education attainment in the past are being filled by higher education now.

Chart 3 Occupation distribution of additional workers with degrees, 1994-2015



Data source: Census and Statistics Department.

<sup>14</sup> Source: Research Office, Legislative Council Secretariat, “Challenges of manpower adjustment in Hong Kong (Research Brief, Issue No. 4, 2015-2016)”, June 2016.

21.1.6. Amidst an imbalance in supply and demand, we can expect that entry pay for degree graduates in the private sector will maintain a moderate growth.

## 22. Analysis and Observations for QG 3 Group I and QG 4

### 22.1. Insufficient Market Data for QG 3 Group I and QG 4 in the previous SSSs

22.1.1. In the previous SSSs conducted in 2009, 2012 and 2015, there were insufficient market data in meeting the vetting criterion of covering at least 15 surveyed organisations for QG 3 Group I (Higher Diploma or Associate Degree Grades) and QG 4 (Technical Inspectorate and Related Grades: Higher Certificate or equivalent qualification plus experience).

22.1.2. To ascertain how such qualifications are recognised in the private sector and the respective pay levels, we have conducted a specific study to collect information pertaining to these two QGs with a view to presenting the information to the Standing Commission for reviewing the internal relativities between the benchmark of QG 8 and these adjacent QGs.

### 22.2. Ranks in QG 3 Group I and QG 4

22.2.1. There are currently ten basic ranks in the civil service grades under QG 3 Group I and 21 basic ranks in the civil service grades under QG 4.

22.2.2. A detailed description of these ranks is given in **paragraphs 16.3** and **16.4**, while the full lists are contained in **Annex E**.

### 22.3. Findings from the Specific Study

22.3.1. Similar to the situation of 2009, 2012 and 2015 SSS, there are no or insufficient market data collected from the 74 participating organisations for QG 3 Group I and QG 4. As shown in the table below, only one organisation is able to provide pay data pertaining to the QG 4, but none for the QG 3 Group I.

Table 39 Number of participating organisations collected from the study by QGs

Qualification Group (QG)	No. of Organisation
QG 3 Group I	0
QG 4	1

Total number of organisations = 74

22.3.2. A closer look reveals that different factors contributed to the persistent situation, as discussed in the following sections.

### 22.4. QG 3 Group I - Higher Diploma or Associate Degree Grades

22.4.1. According to the study, 48.6% of participating organisations have entry-level positions that accept either Higher Diploma or Associate Degree as the minimum qualification requirement, while the other 51.4% do not have these entry-level positions.

22.4.2. Among the positions of the 48.6% organisations accepting this QG 3 Group I as the minimum qualification requirement, the majority of them are technical or

works-related such as Technician, Assistant Engineer, Assistant Quantity Surveyor and Works Supervisor which are under JF 3 or JF 7. However, civil service jobs under this QG cover only JF 4 (Public Services (Social and Personal Services)). Under the Agreed Study Methodology, only the private sector entry-level jobs with functions comparable to those under JF 4 are accepted for this QG. This specific QG-JF combination for their unique job nature greatly limits the survey field, resulting in the absence of market data.

- 22.4.3. One of the main data sources for JF 4 is from hospital medical service or health care services. We observe that the Hospital Authority and the Government are the major employers in these sectors, of which 75.4% of the hospital in Hong Kong are under the administration of Hospital Authority, and the number of Registered Nurse and Occupational Therapist under the Hospital Authority contributes to 38.9% and 39.3% respectively of the total population of the professions concerned. Nevertheless, the Hospital Authority will continue to be excluded from the survey field in future pay surveys as its determination of pay adjustments follows that of the Government.
- 22.4.4. Also, clinical service may contribute data for this job family. However, the number of clinics in the private sector with 100 or more employees is very limited which creates further challenges in sourcing sufficient data for the study.
- 22.4.5. We also observe that some of comparable positions for QG 3 Group 1, such as Occupational Therapist, Physiotherapist, Radiographer and Registered Nurse, target degree graduates in the private sector instead of Higher Diploma or Associate Degree due to the wider coverage of curriculums from university and the steady supply of degree-holders in the last decade. With the 74 participating private organisations, seven of them recruit a total of 183 employees who possess degree qualifications and perform JF 4 functions. This reveals mismatches in the entry qualification requirements for these ranks.

## **22.5. QG 4 - Higher Certificate plus Three Years of Related Work Experience<sup>15</sup>**

- 22.5.1. 35.1% of the participating organisations have positions that specifically request for Higher Certificate as one of job requirements in the recruitment advertisement or job descriptions, but the post-qualification experience required is substantially less than that for QG 4 positions in the Government. Again, the majority of the positions are technical or works-related such as Mechanic, Machine Operator, Clerk of Works and Inspector. While the recruiters understand that the qualification of higher certificate has been fading out from the market, they prefer to maintain this qualification as one of the requirements, further supplementing it by diploma as an alternative for recruitment. The other 64.9% of participating organisations do not specifically request such qualifications in their recruitment.

---

<sup>15</sup> For data collection, three years of experience are applied for QG 4, despite that some QG 4 ranks require a minimum of four years' experience.

## 22.6. Summary

- 22.6.1. As discussed above, the data insufficiency issue for QG 3 Group I and QG 4 is likely to persist in the near future. Without sufficient data collected from the survey, there cannot be a direct basis for reviewing the existing benchmarks for QG 3 Group I and QG 4.
- 22.6.2. In the previous SSSs, the benchmark for QG 3 Group I was determined by the internal relativity with the QG 3 Group II, and the benchmark for QG 4 was then determined by the internal relativity with the QG 3 Group I.

### *QG 3 Group I*

- 22.6.3. Although there are more newly established private medical centres in the market, we observe that with the increased supply of degree graduates in the labour market, majority of the employers are hiring degree graduates for paramedical positions which will then be categorised as degree graduate positions. Therefore, we expect the data insufficiency issues to persist in the future if the entry qualification for the QG 3 Group I ranks remain unchanged.

### *QG 4*

- 22.6.4. For QG 4, we observe from the market that such qualification and experience combination is seldom used as a minimum requirement for entry-level jobs. From the previous SSSs, the data collected only marginally failed the vetting criteria for data consolidation. We suggest that consideration be given to relaxing the vetting criteria to include more private sector organisations which may recruit staff for QG 4 functions. For example, the criterion of 15 surveyed organisations can be relaxed to ten to increase the likelihood of obtaining more data for QG 4 in future.

## **23. Summary of Findings and Recommendations**

### **23.1. Pay Difference between Degree Graduate Entry-level Positions in the Civil Service (QG 8) and the Private Sector**

- 23.1.1. Similar to the result from the previous SSSs, the current study shows that the difference in the entry pay for degree graduates in private sector and the civil service persists. The gap is further widened to -19.8% in comparison with -8.8% in 2012 SSS and -15.3% in 2015 SSS at the career entry.
- 23.1.2. Further analyses reveal that while the civil service pay appears to be more attractive than the private sector pay for degree entry jobs, the private sector pay increases at a faster rate than that of the civil service. Though the pay for the civil service under QG 8 consistently leads the private sector along the career path of degree graduates at the first 11 years before managerial level, the pay gap between the two sectors keeps narrowing over an 11-year time frame for a degree graduate, from -30.6% upon entry to -9.8% at the 11<sup>th</sup> year.
- 23.1.3. Echoing the result from the previous SSSs, the private sector pay for degree entry jobs remains at a moderate growth over the previous years. Analyses from our current study suggest that the pay for degree entry jobs only has a 12.8% growth during the period from 2012 to 2018 in the private market, as compared to that of 28.2% growth rate for the civil service QG 8.
- 23.1.4. This pay difference can be caused by multiple factors including the supply and demand of the degree graduates in the private market, the inherent differences of career and pay progression between the civil service and private market, and the reduced relevance of linking qualification levels to pay in the private market.

### **23.2. Impact of the Supply and Demand of Degree Graduates on the Private Market**

- 23.2.1. With the increase in the supply of degree graduates due to the rise of self-financed education institutions, the creation of managerial and professional jobs in the market has failed to keep pace with the increasing workforce with higher education attainment. A greater portion of degree graduates has shifted to taking up low-end jobs which leads to the downward pressure on their entry pay. This may contribute to the moderate growth in entry pay for degree graduates over the past years in the private market.
- 23.2.2. Also, employers in the private market are now more willing to recruit degree graduates for a wide range of jobs due to the large influx of degree graduates. Entry pay for these positions therefore may vary greatly due to the large differences in job nature and the level of responsibilities. This partially explains the wide dispersion phenomenon in the private sector entry pay for degree graduates.

### 23.3. Relevance of linking Qualification Levels to Pay in Private Market

- 23.3.1. The private sector pay for entry-level positions seldom takes qualification requirement as the sole determining factor. Majority of the organisations place more emphasis on factors such as supply and demand, job nature and level of responsibilities in determining the pay for different positions, including entry-level jobs. Salary benchmarking under such arrangement is better reflected by the survey methodology of the PLS.
- 23.3.2. Different pieces of evidence gathered in the present study show that private sector organisations are looking at factors other than entry qualifications in determining starting salaries.
- 23.3.3. As discussed above, with the increase in supply of the degree graduates, employers are hiring more graduates for a more diverse range of jobs, which in the past required less professional knowledge or entailed lighter responsibilities. Therefore, many private sector jobs with the minimal qualification requirement as degree graduates or related degrees nowadays no longer fit the nature of QG 8 ranks.
- 23.3.4. It is observed that some of the jobs, such as Registered Nurse and Occupational Therapist, which are currently categorised under QG 3 Group I (Higher Diploma or Associate Degree Grades) in the civil service, have their minimal entry requirement uplifted in the private market, filled by fresh degree graduates instead. Holders of the qualifications for QG 4 ranks are also diminishing in the market.

### 23.4. Recommendations on the Approach for the next SSS

#### *Holistic approach with greater flexibility*

- 23.4.1. In light of the factors discussed above, we consider that the Standing Commission should continue to adopt the holistic approach in interpreting the survey results for degree graduates in the private sector with greater flexibility in relation to QG 8. Application of the survey findings and adjustment to pay should not be mechanically based on the survey results in the private sector. Other factors such as the importance of stability in the civil service and different career ladders between two sectors should be well considered, especially when the job holders under this QG often take up a wide range of important management positions as they progress along the career ladder in due course. Greater flexibility should be exercised under the established holistic approach when the Standing Commission interprets the survey results for degree graduates in the private sector.

#### *Improvement of the existing SSS*

- 23.4.2. As regards QG 8, QG 3 Group I and QG 4, we **recommend** the following improvements of the existing SSS for the consideration of the Standing Commission.

## *QG 8*

- 23.4.3. In the view of high variance in the pay for this QG and different nature of positions collected from the survey under the QG-JF framework, it is worth exploring the feasibility of further precise selection of jobs from private sector that by nature are broadly comparable with that of civil service in next SSS. With this approach, the survey will focus more on studying the pay for the entry positions that have broadly comparable nature and job duties as those in the civil service.
- 23.4.4. Also, since the ranks in civil service under QG 8 generally have a career progression to managerial levels, we **recommend** an alternative approach to collect only the positions that have a defined career progression to managerial level. However, due to the uniqueness of civil service and the challenges of matching comparable jobs in the private sector, this approach will greatly limit the survey field and increase the difficulty in collecting sufficient data to meet the vetting criteria.

## *QG 3 Group I and QG 4*

- 23.4.5. As discussed, the basic civil service ranks under QG 3 Group I cover only JF 4 (Public Service (Social and Personal Services)), which limit the survey field for this specific QG and JF combination. Majority of the comparable jobs (paramedical positions) in the private sector are employed by the public sector using a pay system similar to that of the MPS, therefore further limit the survey field of this QG.
- 23.4.6. Also, having regard to the popularity of university education and increasing diversity of curriculums, private sector organisations tend to uplift their qualification requirements by targeting degree graduates for jobs. Comparable jobs for these basic ranks tend to target degree graduates in the private sector. The situation of insufficient market data for this QG is likely to continue to persist if the same survey approach is adopted in future SSSs.
- 23.4.7. On the other hand, the qualification of higher certificate for QG 4 is gradually diminishing from the market. The requirement of three years of experience further limits the availability of data since entry-level jobs rarely require such level of experience in the private sector. Thus, data insufficiency is also likely to persist if the same survey approach is adopted in the future.
- 23.4.8. In view of the above, we **recommend** the Government to further consider the issues identified in relation to the QG framework in the light of the findings of future pay surveys. We also **recommend** the consultant of the next survey to explore the relaxation of the vetting criteria (e.g. from at least 15 surveyed organisations to 10 surveyed organisations) for QG 4.



### *Enhancing the PLS methodology*

- 23.4.9. Qualification level is becoming less relevant as the main consideration factor for determination of entry pay in the private sector. Other factors including demand and supply for talents in the relevant industry, candidates' competencies and internal equity are also important for the employers when determining an appropriate pay for candidates. On the employees' side, factors such as training and development opportunities, career progression and organisation branding are important in their employment decision. Thus, QG-JF framework alone may no longer be sufficient to reflect the full picture of pay for these positions.
- 23.4.10. The private sector is highly flexible in responding to the changing labour market and has variance strategies on recruiting talents. Also, it is not a typical practice in the private sector to conduct dedicated review or benchmark exercises for the pay for entry positions. Neither does any of the overseas countries we examine conduct surveys specifically to determine civil service starting salaries.
- 23.4.11. This specific study on QG 8 and the adjacent QG 3 Group I and QG 4 has confirmed the trend that the private sector has gradually moved away from using qualification as the sole determining factor for the pay of entry-level positions. As such, the value of the data collected in the SSS alone could be regarded as an added assurance to the pay adjustment data obtained from the PLS and the PTS. In **Chapter 5**, we have explored and recommended the inclusion of more ranks, including entry ranks, in the PLS to enhance both the breadth and representativeness of the survey. Broad indications as to the level of starting salaries as classified according to QGs could be made available. Against this proposed refinement in the scope of the PLS and the fact that the PLS and the PTS provide a solid basis for ensuring that the civil service pay as a whole is broadly comparable with the private sector pay, we have discussed that the SSS could be conducted in a pre-set frequency (i.e. at a six-yearly interval in alternation with the PLS) or that the SSS could be conducted in the light of the broad indications generated by the enhanced PLS or in response to changing circumstances that may have an impact on the starting salaries of specific segments of the employment market. We have elaborated in **Chapter 14** our recommendation to adopt the second option

## Part III: Civil Service Pay Arrangements in Overseas Countries

### 24. Civil Service Pay Arrangements in Overseas Countries

#### 24.1. Introduction

24.1.1. Under the current assignment, we have also conducted a research on the civil service pay policies and practices of five countries. As we suggested in the Inception Report, we have selected Australia, Canada, New Zealand, Singapore and the United Kingdom (UK) for analysis, with particular focuses on the following areas –

- (a) The pay system of civil servants in the countries;
- (b) How the respective governments conduct pay surveys and set starting salaries of jobs; and
- (c) Arrangements for pay adjustment and review.

24.1.2. Our study involves mainly a desktop research, with the local team of our Group from each research country supporting on local research. **Annex G** provides a broad overview of the civil service pay arrangements in the countries surveyed, while detailed arrangements for each country are set out in **Annexes H to L**.

#### 24.2. Overall Observations in the Five Overseas Countries

24.2.1. Each of the countries surveyed has developed different approaches to civil service pay administration to meet its specific needs. Given the considerable differences in cultural, social and political environments amongst the five countries surveyed and Hong Kong, their remuneration practices, no matter individually or collectively, may not be directly applicable to or appropriate for Hong Kong. In particular, Hong Kong is a small city with a one-tier government (i.e. no local governments possessing a sizeable range of executive powers). It is also worth noting that Hong Kong's current fiscal position is strong, whereas budgetary constraint is a very important factor in setting public sector pay in some of the surveyed countries.

24.2.2. With the above caveats, we observe that the approaches to civil service pay in the five countries have the following common or prevalent features.

##### *Decentralised pay administration*

24.2.3. For all countries (with the exception of Canada), while the budget and overall pay principle and policy are controlled by a central agency in each country, the responsibility for pay administration is devolved to individual departments and agencies, with the objective of improving flexibility, efficiency and performance. Individual departments have the authority to develop their remuneration strategies and pay structure in response to their strategic imperatives, business challenges and workforce requirements. Examples include introducing broadbanding, establishing their own pay ranges, and designing steps between minimum and maximum points.

- 24.2.4. The decentralisation of pay administration is often part of wider reforms of the civil service in the surveyed countries. It was introduced with the objective of allowing individual departments and local governments to manage resources more efficiently, provide better quality services and ultimately support government reform objectives. The previous centralised model in the UK, for example, proved ineffective and costly. According to the assessment of the UK Government, the decentralisation initiative which commenced in 2010 served to empower departments and local service providers to take ownership of improvements needed to drive local growth through encouraging citizen engagement, flexibility in service delivery and accountability.<sup>16</sup>
- 24.2.5. Under a decentralised model, pay determination and adjustment are conducted by individual departments through individually or collectively negotiated agreements within their baseline budgets and centrally defined bargaining parameters. No information on any formal market surveys that are conducted on a national level can be found in any of the five countries over the past five years. Pay data obtained on the private sector for benchmarking serve no more than as a reference to inform the pay adjustment process only.
- 24.2.6. Rather than taking part in negotiation themselves, central agencies usually set the overall policy and provide guidelines throughout the pay adjustment process. The only exception is Canada where the central agency (i.e. the Treasury Board) is the employer of most civil servants and is responsible for pay negotiation for its employees.
- 24.2.7. While the general pay administration is devolved to individual departments, pay arrangements for senior civil servants remain centrally managed in all the countries. This aims to control the pay ceiling of civil service and ensures high-level pay policy consistency across the departments and agencies.

*Affordability and budgetary control as key factors in pay determination*

- 24.2.8. Most countries emphasise affordability as the key consideration for determining pay adjustment. Although comparison with the private sector is one of the considerations, it is not the dominant factor. The only exception is Singapore, where benchmarking against jobs in the private sector remains to be an important consideration. Other factors such as productivity enhancement, recruitment and retention pressure and skill development needs are also considered in pay determination, with budgetary constraint being the most prevalent one since the 2008 financial crisis.

*Simplification and transparency of pay structure*

- 24.2.9. Clean wage policy has become increasingly popular among the five countries. Hidden benefits in the form of housing and cars are avoided and allowances are built into the base salary. Simplification of pay structure, reduction and consolidation of allowances are the key trends. The small number of

---

<sup>16</sup> Rt Hon Greg Clark MP, “Decentralisation - An assessment of progress” (HM Government), December 2012.

allowances that exist are provided for specific reasons such as exceptional recruitment and retention pressure, working in remote areas, shift work, etc. Even where allowances are provided, they only account for a small portion of the total remuneration.

- 24.2.10. Such a policy is executed to ensure that employees realise and receive the full value provided by the government and to reduce associated administrative cost. Simplified pay structures are also more comprehensible, thereby facilitating information disclosure to the general public.

*Strong linkage between pay and performance*

- 24.2.11. All countries regard pay for performance as one of their principles in pay administration. Governments are providing variable bonuses depending on performance at individual, team and organisational level. Some of them may grant a special bonus for employees deployed on particular projects or to recognise outstanding performance. There is a common use of pay ranges which provides greater flexibility for departments to reward employees according to their competencies and performance. Pay adjustment is generally linked to performance review every year instead of automatic progression.
- 24.2.12. Academic studies had been conducted on the benefits derived from the implementation of performance-based pay awards in some of the countries surveyed. For example, in a 2005 study of the UK, team-level financial incentive schemes in operation at HM Customs and Excise were evaluated. Two groups of civil servants, one involved in such incentive schemes and another randomly selected group not involved in any bonus scheme were assessed on their performance of identical tasks. Higher productivity was observed from staff under the incentive scheme than their counterparts in the randomly selected control group.<sup>17</sup>
- 24.2.13. Amongst the countries surveyed, a relatively stronger linkage between pay awards for civil servants and national economic performance is observed in Singapore. An annual variable component rewards civil servant (with typically about one month's salary in total for a whole year, through two half-yearly payments in the middle and end of a year respectively) depending on Singapore's economic performance. A national bonus is also payable when the targets for a pre-defined set of socioeconomic indicators are met. In the remaining four countries, economic success is typically reflected in their pay increase budget but the linkage to pay rewards for civil servants is not as direct as in the case of Singapore.

---

17 Simon Burgess, Carol Propper, Marisa Ratto, Stephanie von Hinke Kessler Scholder and Emma Tominey, "Evaluation of the Introduction of the Makinson Incentive Scheme in HM Customs and Excise"(Centre for Market and Public Organisation, University of Bristol), October 2005.

### *Retirement protection and medical insurance*

- 24.2.14. While the subject matters are outside the scope of this research, we would like to provide some supplementary information requested by the Staff Sides during our meeting on 26 June 2018 regarding the provision of retirement protection and medical benefits in the five countries surveyed. All the five surveyed countries have their own national retirement protection and medical insurance schemes which benefit all citizens including civil servants. Although government pension schemes specifically for civil servants in the surveyed countries still exist, there is a trend towards transition and integration from government pension to the national retirement protection schemes. Singapore is one of the examples.
- 24.2.15. Until 1973, all Singapore government employees were eligible for government pension. However, even at that time, a significant number of civil servants chose to contribute voluntarily to the Central Provident Fund (CPF) Scheme.<sup>18</sup> The proportion of civil servants who receive government pension continued to decline over the years, with more switching to the CPF scheme. Currently only a small proportion in designated services (Administrative service, the Police (senior) and intelligence service) and political appointees remain eligible for government pension for legacy reasons.

### **24.3. Implications for Hong Kong**

- 24.3.1. We must emphasise that changes that have been introduced to civil service pay practices in overseas countries are often complementary to broader human resources management reforms being implemented in the countries concerned. Pay arrangements introduced were often associated with changes in economic conditions, such as the 2008 financial crisis. The various pay practices adopted by different countries must therefore be viewed in their proper context.
- 24.3.2. The Government has put in place a series of measures in the course of the Civil Service Reform since 1999 to restructure the administration of the civil service so as to provide the necessary flexibility and capability to allow the civil service to respond quickly to community needs. The Improved Mechanism has also been in place since 2007 after a long process of deliberation among the relevant stakeholders. We do not see a strong reason for the Government to initiate fundamental changes to the management of the civil service solely for the purpose of following international practices. Yet, it is worth noting that less emphasis is put on comparability between the pay of the civil service and the private sector for all the surveyed countries. A higher level of flexibility is also observed in setting pay for the civil service in overseas countries. In the light of the above, we consider it inappropriate for the Government to rely solely on findings of pay surveys in determining pay adjustments. The holistic approach that the Standing Commission has adopted in considering the results of previous

---

<sup>18</sup> Mukul G. Asher, "Reforming civil service pensions in selected Asian countries" (The Social Security Workshop, The World Bank, Washington, D.C.), February 2000.

rounds of the PLS and SSS, under which a basket of factors are taken into account in the application of the findings, is in tandem with the common trend identified in the five countries that we have surveyed. The Government may also wish to maintain close dialogue with bureaux and departments with a view to identifying gaps in centrally administrated civil service arrangements and exploring departmental solutions in human resources management as appropriate.

## **Annex A: Glossary of Terms**

Annual total cash compensation – annual base salary plus any other cash payment except those that are conditional on particular working conditions (such as overtime or work location) or on individual circumstances (e.g. payments in reimbursement of business expenses).

Average – the unweighted, arithmetic mean of a set of values.

Benchmark jobs – jobs selected to be included in the survey field for pay comparison in the pay level survey. “Civil service benchmark jobs” and “private sector benchmark jobs” refer to such selection of civil service jobs and private sector jobs respectively.

Grade – a group of job-related ranks in the civil service, the higher of which are normally filled by promotion from the lower ranks. For example, the Executive Officer (EO) Grade includes ranks of EO II, EO I, Senior Executive Officer, Chief Executive Officer, Principal Executive Officer and Senior Principal Executive Officer. However, it is possible for a grade to consist of only one rank e.g. Artisan.

Job – a group of positions with similar nature of job accountabilities, similar requirement for qualification or working experience, or both. For the civil service, a “job” refers to a rank within a grade.

P25, lower quartile or 25th percentile – in the case of private sector pay, the term refers to the level that separates the top 75% paying organisations (or individuals in the case of the job-holder pay approach) from the 25% lower paying.

Median – in the case of private sector pay, the term refers to the level that separates the top 50% paying organisations (or individuals in the case of the job-holder pay approach) from the remaining organisations or individuals as the case may be.

Pay – cash compensation paid for the duties performed by an employee.

Pay policy – an organisation’s guidelines on how to determine the level of a job-holder’s compensation; may include a reference to a position in the pay market (e.g., median), a target pay level, a range of a minimum to a maximum, a defined level of cash allowances, and eligibility for variable pay.

Pay practice – the actual manner in which an organisation’s pay policy is put into practice, i.e. the amount of pay actually given to typical job-holders.

Private sector organisations – for the purpose of this report, the term should be interpreted broadly as including any non-government organisation regardless of ownership and nature of business or operations (public or private, local or international, profit-making or non-profit making).

Post – a term in the civil service context to describe a position in a bureau/ department/office occupied by a single incumbent with specific functions or duties, e.g. Departmental Secretary.

Rank – a sub-division of a grade in the civil service, normally with a distinct functional level of responsibility, designated by an appropriate title and with a separate pay scale, e.g. Executive Officer II.

Total remuneration – the total value of all remuneration components including pay, allowances and employee benefits paid in cash or provided in kind, etc. an individual will receive for being an employee of the organisation.

P75, upper quartile, or 75th percentile – In the case of private sector pay, the term refers to the level that separates the top 25% paying organisations (or individuals in the case of the job-holder pay approach) from the 75% lower paying organisations.

Variable pay – those elements of pay which are determined periodically with regard to individual or organisational performance, including profit sharing bonus, annual incentive payment, performance bonus, merit awards, sales commissions, attendance awards, etc. For the purpose of this report, the term refers to short-term or annual payments based on performance over a period of twelve months or less.

Unweighted average – while weighted average refers to the mean of a set of values (e.g. salary) where the contribution of each value depends on another quantity (e.g. number of employees in a job), unweighted average refers to the mean of values where the contribution of each value has equal weighting, regardless of another quantity.



## Annex B: Detailed descriptions of the JLs and JFs

### Job Family

Five JFs were used in the 2006 and 2013 PLSs, i.e. JF 1 to JF 5. They are primarily categorised by the broad job nature and whether their functions involve reaching out to or contact with the general public, and are defined as follows —

Job Family (JF)	Definition
JF 1: Clerical and Secretarial Family	Jobs in this family consist of clerical staff (e.g. Clerical Officer, Clerical Assistant) and personal secretaries that perform clerical and secretarial tasks.
JF 2: Internal Support Family	This family covers jobs that provide support services related to office operation, administration or other internal support for an organisation (e.g. Government Counsel, Information Officer, Executive Officer, Analyst / Programmer, Accounting Officer).
JF 3: Public Services Family	This family includes jobs that specialise in the provision of services or other specialised functions which will directly reach out to or involve contact with the general public (e.g. Manager (Cultural Services), Leisure Services Manager).
JF 4: Works-Related Family	Jobs in this family include those that perform professional services (e.g. Engineer, Architect) and those that perform technical support and inspection work (e.g. Inspector of Works) related to the design, construction, monitoring of quality and safety and maintenance of and planning for Government or public facilities and infrastructure, as well as those that perform certain works-related territory-wide regulatory functions (e.g. Building Surveyor).
JF 5: Operational Support Family	This family covers jobs that provide operational support for an organisation such as non-administrative services. Typical jobs in this family require operation of equipment or machinery, manual work, travel or outdoor work (e.g. Foreman and Workman).

## Job Levels

Five JLs were also used in the 2006 and 2013 PLSs, ie. JL 1 to JL 5. The five JLs are as follows –

Job Level	Pay Scales
<p><b>1. Operational staff</b></p> <p>Operational staff performing operational tasks or work assignments according to established work routines and procedures. Normally no prior work experience is required and educational attainment of lower than Form 5 or Form 5 plus Grade E or above in 5 subjects in the Hong Kong Certificate of Education Examination (HKCEE) (or equivalent level under the Hong Kong Diploma of Secondary Education (HKDSE))<sup>19</sup> is typical.</p> <p>Includes MOD 1 staff, manual workers and junior clerical staff, as well as entry ranks of operational and technical staff.</p>	<p>MPS Points 0-10 and MOD 1 Points 0-13</p>
<p><b>2. Technicians and assistant executives / professionals</b></p> <p>Junior professional and executive jobs involving application of established policies and technical principles, information flow coordination, case handling and information analysis in the light of knowledge about a subject area. Supervision is often involved.</p> <p>Also technicians, inspectorate and junior professional jobs performing technical operations that require specific technical knowledge, specialised skills and frontline inspection work, or supervision of operational staff in general field work. These jobs usually require apprenticeship and certification and extensive experience, or diploma in a relevant field.</p> <p>Includes second-tier ranks of technical staff and assistants requiring Form 5 education or some may require Grade E or above in 5 subjects in the HKCEE (or equivalent level under the HKDSE) or apprenticeship; or entry ranks of technicians and inspectors requiring higher certificates or diplomas; or supervisors of operational staff; or entry ranks of officer grades and professionals requiring degrees.</p>	<p>MPS Points 11-23</p>

<sup>19</sup> i.e. Level 2, or equivalent, in five subjects in the HKDSE

<b>Job Level</b>	<b>Pay Scales</b>
<p><b>3. Middle-level executives and professionals</b></p> <p>Professionals performing executive and junior managerial tasks, requiring advanced analysis of information and exercise of judgment in the light of stipulated principles and policies. Requires sound knowledge and experience of relevant subject areas.</p> <p>Also senior technical and inspectorate roles with considerable experience in supervision and inspection tasks.</p> <p>Includes third-tier of technical staff and assistants and technicians or supervisors; second-tier of inspectors and officer grades; and the lower end of the pay scale of the second-tier ranks of professional grades such as Engineer.</p>	<p>MPS Points 24-33</p>
<p><b>4. Managerial and senior professionals</b></p> <p>Middle-level managers and senior professionals. Subject officers for defined issue area; responsible for processing cases and issues falling into relevant subject area based on expertise and rich experience. Also includes senior inspectorate ranks.</p> <p>Includes top ranks of technicians, supervisors and inspectors; third- or fourth-tier ranks of officer grades (depending on the rank structure of the grade); and the upper end of the pay scale of second-tier ranks of professional grades.</p>	<p>MPS Points 34-44</p>
<p><b>5. Senior managers and lead professionals</b></p> <p>In charge of defined projects or service areas, managing a team of professional staff or a division / unit. Responsible for planning and high-level problem resolution and analysis for the policy / issue areas concerned.</p> <p>Includes top ranks of a few supervisor and technician grades; top ranks of officer and professional grades (excluding those jobs with pay points on the Directorate Pay Scale).</p>	<p>MPS Points 45-49</p>

## **Annex C: Sample Duty List Collected from Private Sector**

### **Accountant**

#### **(corresponding to civil service rank: Accounting Officer II)**

##### **General Characteristics**

- performs professional accounting work involving compilation, consolidation, and analysis of financial data;
- may include any or all of the following: ledgers and preparation of journal entries, fixed asset or inventory accounting, preparation of trial balance or financial statements, cost accounting, bank account reconciliation; and
- has a good knowledge of the organisation's existing systems and the ability to handle most standard issues independently.

##### **Representative Activities**

- performs general or cost accounting activities requiring some insight and depth of understanding;
- applies accounting techniques and standard practices to the classification and recording of financial transactions;
- performs various duties varying from preparing journal entries and checking supporting entries to carrying out well-defined steps in cost accounting analysis;
- drafts and prepares expenditure forecast for departments;
- monitors and ensures that department expense are within approved budget;
- drafts segments of statements and reports;
- begins to handle assignments involving analysis of data and prepare for regular financial report to management and provide financial advice if needed;
- provides output which is generally reviewed at completion for accuracy and soundness;
- may prepare or significantly contribute to preparation of a variety of reasonably standard, periodic "intermediate" or "end products," such as cost reports, trial balances, balance sheets, profit-and-loss statements or statements of sourcing and application of funds;
- as requested, prepares appropriate commentary or explanations relating to report items of particular interest or significance; may use some judgment as to what is of interest; conducts any pertinent investigation of the accounts involved; and
- may contact operating or staff personnel for the purpose of supplying or explaining data, securing information or describing additional data which could be made available; may furnish limited advice on accounting matters, especially where based on well-established principles and practices.

## Annex D: Key Work Steps in Job Matching Process

**Step 1:** Based on the information from the job inspection process, consultant issues a full set of job description (JDs) to survey participants in facilitating (a) their understanding about the job nature of the civil service benchmark jobs and (b) screening and the identification of first round job matches.

**Step 2:** Consultant requests participating companies to provide duty lists of their positions identified for matching with civil service benchmark jobs. Upon receiving the first-round job match submission and the relevant duty lists (e.g. Annex C) from the survey participants, consultant will identify relevant job matches with civil service benchmark jobs based on the work nature, job content, level of responsibilities, typical qualification and experience for appointment. He/she will highlight the uncertainties requiring clarification and for potential cases of inaccurate matching.

**Step 3:** Consultant will then meet/speak with the designated representative or HR of each survey participant to brief them on the set of JDs, verify with them the job details and clarify any uncertainties, thus conducting the second-round job matches.

**Step 4:** Consultant will complete a job matching form for each proposed job match with assessment on the comparability of jobs after having taken into account of all the relevant job-related characteristics. The unique duties and features of the civil service benchmark jobs and those of the private sector comparators will be documented in detail.

**Step 5:** Senior consultant will review all the job matching forms together in ensuring that the proper matching has been conducted and consistency has been maintained throughout the job matching process. He/She will review once again the matches of work nature, job content, level of responsibilities, and qualification/ experience requirement and verify if the job match is accurately performed.

**Step 6:** Is the senior consultant satisfied with the job match proposed by the consultant?

NO

Step 6 (1): The designated consultant to contact the HR representative from the survey participant and reconfirm understanding. Refine the job matches and re-submit the third-round of job matches.

YES

**Step 7:** Job matches accepted.

**Step 8:** Consolidate the job matching summary and uniqueness report, and publish them.

## Annex E: Existing Civil Service Basic Ranks under QG 8, QG 3 Group I and QG 4

**Table 1: Basic Ranks of Civil Service under QG 8 (Degree plus 0-1 year of experience)**

S/N	26 Basic Ranks in QG 8	Job Family (JF)	Pay Scale MPS Points (prevailing)	Establishment as at 31.3.2018
1	Assistant Social Work Officer	4	16-33	1151
2	Executive Officer II	2	15-27	937
3	Analyst / Programmer II	2	16-27	313
4	Assistant Librarian	6	14-27	231
5	Assistant Manager, Cultural Services	6	14-27	180
6	Assistant Labour Officer II	5	14-27	182
7	Accounting Officer II	2	14-27	172
8	Official Languages Officer II	2	14-27	147
9	Assistant Curator II	6	14-27	138
10	Court Interpreter II	2	14-27	61
11	Assistant Trade Officer II	5	14-27	53
12	Transport Officer II	6	14-27	49
13	Examiner	2	14-27	42
14	Intellectual Property Examiner II	5	14-27	40
15	Insolvency Officer II	5	14-27	31
16	Experimental Officer	3	14-27	29
17	Hospital Administrator II	2	14-27	24
18	Dietitian	4	16-33	18
19	Management Services Officer II	2	14-27	17
20	Speech Therapist	4	16-33	15
21	Assistant Archivist	3	16-27	10
22	Simultaneous Interpreter	2	32-44	12
23	Law Translation Officer	2	32-44	12
24	Government Transport Manager	3	43-49	3
25	Investment Promotion Project Officer	5	43-49	3
26	Training Officer II	2	14-27	0

**Table 2: Basic Ranks of Civil Service under QG 3 Group 1 (Higher Diploma or Associate Degree with 0-1 year of experience)**

S/N	10 Basic Ranks in QG 3 Group 1	Job Family (JF)	Pay Scale MPS Points (prevailing)	Establishment <sup>20</sup> as at 31.3.2018
1	Dental Therapist	4	13-23	270
2	Occupational Safety Officer II	4	13-28	136
3	Optometrist	4	13-23	16
4	Orthoptist II	4	13-23	0
5	Health Inspector II <sup>21</sup>	4	14-24	1052
6	Occupational Therapist II	4	14-24	0
7	Physiotherapist II	4	14-24	0
8	Radiographer II	4	14-24	21
9	Chiropodist II	4	15-23	0
10	Registered Nurse	4	15-26	919

**Table 3: Basic Ranks of Civil Service under QG 4 (Higher Certificate or equivalent qualification plus three years of experience)**

S/N	21 Basic Ranks in QG 4	Job Family (JF)	Pay Scale MPS Points (prevailing)	Establishment as at 31.3.2018
1	Force Armourer	3	34-37	1
2	Inspector of Apprentices	3	11-23	0
3	Assistant Police Telecommunications Inspector	3	14-24	70
4	Radar Specialist Mechanic	3	24-33	20
5	Assistant Superintendent of Aids to Navigation	3	24-33	2
6	Transport Services Officer II	3	13-23	23
7	Assistant Motor Vehicle Examiner	6	13-23	1
8	Assistant Marine Controller	6	24-33	51
9	Assistant Ship Inspector	6	13-23	23
10	Assistant Air-Conditioning Inspector	7	13-23	43
11	Assistant Building Services Inspector	7	13-23	396
12	Assistant Building Supervisor	7	13-23	10
13	Assistant Clerk of Works	7	13-23	678
14	Assistant Electrical Inspector	7	13-23	158
15	Electrical Technician	7	13-23	4
16	Assistant Electronics Inspector	7	13-23	254
17	Assistant Inspector of Works	7	13-23	424
18	Assistant Inspector (Telecommunications)	7	13-23	70

<sup>20</sup> Excluding posts in the Hospital Authority.

<sup>21</sup> Since the Health Inspector II forms a combined rank with Health Inspector I, the combined establishment of the two ranks is used.

<b>S/N</b>	<b>21 Basic Ranks in QG 4</b>	<b>Job Family (JF)</b>	<b>Pay Scale MPS Points (prevailing)</b>	<b>Establishment as at 31.3.2018</b>
19	Assistant Mechanical Inspector	7	13-23	96
20	Assistant Quarry Manager	7	24-33	0
21	Assistant Waterworks Inspector	7	13-23	272



## **Annex F: Data Collection Kit for the Specific Study**

### **Questionnaire Sample**

#### **2018 Specific Study on Qualification Group 8 (Degree and Related Grades) of the Civil Service**

#### **CONFIDENTIAL**

This data collection kit is confidential to participating organisations and its contents should not be disclosed to any other party without the written consent of Hay Group Limited.

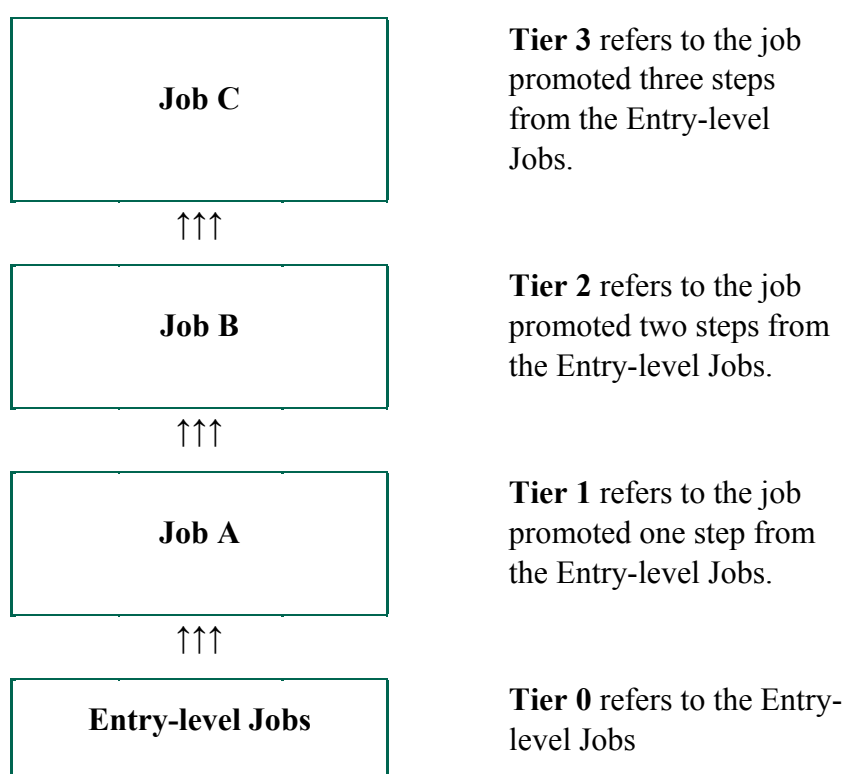


## I. Guidance Notes for Completing the Questionnaire

- 1.1 The specific study on the Qualification Group (QG) 8 (Degree and Related Grades) of the civil service (the Study) aims to collect the remuneration data, pay policy, and career progression of the jobs in the private sector for comparison with those of the civil service grades requiring similar qualifications, with a view to ascertaining whether the entry pay in the civil service remains broadly comparable with that in the private sector.
- 1.2 The study targets to collect information for four major categories, which are illustrated as below:
- a. **Entry-level jobs (Tier 0) in the private sector sharing similar minimum qualification requirement as QG 8**  
*(A degree plus 0-1 year of experience)*
  - b. **Jobs in the private sector to which 1.2a job holders may be promoted (Tier 1 and above; non-managerial positions only)**  
*(The incumbents should not be the chief performance appraiser/ the one accountable for performance review of any subordinates taking up degree level jobs)*
  - c. **Entry-level jobs (Tier 0) in the private sector sharing similar minimum qualification requirement as QG 3 Group I**  
*(Higher Diploma or Associate Degree with 0-1 year of experience)*
  - d. **Entry-level jobs (Tier 0) in the private sector sharing similar minimum qualification requirement as QG 4**  
*(Higher Certificate or equivalent qualification plus three years of experience)*
- 1.3 The study covers three major areas:
- a. **Company Profile:** This section aims to collect generic information of the organisation as of **1 April 2018** (e.g. name of the organisation, employee size, industry, pay movement, etc);
  - b. **Remuneration Section:** This section aims to collect actual pay data for any full-time employees recruited/promoted to the four major categories listed in 1.2 a. to d. during the period from 2 April 2017 to 1 April 2018, who were still under such employment as at 1 April 2018. All pay for the work done during the period from 2 April 2017 to 1 April 2018, regardless of the actual payment effective date, should be captured as long as it could be confirmed at the **survey reference date (1 April 2018)** that the amount will be paid to the job-holder without additional conditions.
  - c. **Policy and Practice Section:** This section aims to collect pay and career policy information of the organisation set for the jobs of the four major categories listed in 1.2 a. to d. as of 1 April 2018.

1.4 For the purpose of this study —

- a. **"Full-time Employees"** refer to those monthly-paid employees, excluding interns, apprentices, imported labour, and employees whose term of employment is less than one year;
- b. **"Entry-level Jobs"** refer to entry-level jobs, with salaries determined on the basis of factors and considerations applying to Hong Kong, including only those with entry requirements as specified in 1.2 a., 1.2 c. and 1.2 d. above; and
- c. **"Job Tiers"** refer to the number of progression (i.e. standard promotional steps) from the entry-level jobs along the career ladder. You may refer to the graphics shown below.



- d. **"Cash Compensation"** elements comprise —
  - i. Basic salary;
  - ii. Guaranteed bonus;
  - iii. Cash allowances paid or to be paid to employees under a pay policy reflecting the value of the job under their normal requirements and paid on a regular basis (e.g. housing allowance, education allowance, regular overtime and shift allowances which are regular and expected of the job duties). On the other hand, occasional cash allowances that are conditioned on particular working conditions (e.g. payments for occasional overtime, occasional shift or remote work

location) or cash allowances which are conditional on individual circumstances (e.g. payments for actual reimbursement of business expenses) should be excluded; and

- iv. Variable pay (e.g. sales commission and incentive bonus).

## II. Instruction for completion of the Remuneration Section

### 2.1 General

This study covers all jobs as defined in 1.2 a. to d. above. For those jobs which were **filled on 1 April 2018** by employees recruited between 2 April 2017 and 1 April 2018, please provide the pay information based on the job-holder.

### 2.2 Column 1 - Employee ID

Please assign a code number for each job-holder. For confidentiality, there is no need to provide the name of any job-holders concerned.

### 2.3 Column 2 - Data of Hire

Please provide the date on which the job-holder was recruited to your organisation.

### 2.4 Column 3 - Incumbent's Actual Qualification

Please provide the incumbent's actual qualification, e.g. degree holder, master degree holder, etc.

### 2.5 Column 4 - Incumbent's Year of Experience

Please provide the incumbent's year of experience, e.g. 0 year, 1 year, 3 years.

### 2.6 Column 5 - Pay Variation - Pay Variation due to job holder's qualification/experience

In the case that this job is offered to a candidate with qualifications and/or experience higher or lower than the minimum requirements of the job, please input "YES" if his/her basic salary has been adjusted due to the job holder's actual qualification and/or experience. Please input "NO" if no such an adjustment has been made.

### 2.7 Column 6 - Job Title

Please enter the job title of the job-holder.

### 2.8 Column 7 - Job Tiers

Please enter the job tiers of the job as illustrated for 1.4 above.

### 2.9 Column 8 - Job Functions

Please provide the main broad functions of the job (e.g. finance and accounting, sales/business development, etc.)

### 2.10 Column 9 - Job Family

Based on the job functions of the job, please enter the appropriate job family code (e.g. JF 2) as illustrated below-

Code	Job Families
JF 2	Internal Support (Corporate Services)

<b>JF 3</b>	Internal Support (Technical & Operation)
<b>JF 4</b>	Public Services (Social & Personal Services)
<b>JF 5</b>	Public Services (Community)
<b>JF 6</b>	Public Services (Physical Resources)
<b>JF 7</b>	Works-Related

Note : QG 8 covers JF 2 to JF 6; QG 3 Group I only cover JF 4; and QG 4 covers JF 3, 6 and 7.

**2.11 Column 10 - Company Grade**

Please provide the internal company grade of the job.

**2.12 Column 11 - Minimum Qualification - Minimum educational qualifications for appointment to the job.**

Please provide the minimum educational qualifications that the job-holder must possess before he/she is eligible for appointment to this job, not the actual qualifications that the job-holder may have.

**2.13 Column 12 - Minimum Years of Experience - Years of minimum experience for appointment to the job.**

Please provide the minimum number of years of relevant experience that the job-holder must possess before he/she is eligible for appointment to this job, not the actual experience that the job-holder may have.

**2.14 Column 13 - Probationary Period**

Please state the duration of probationary period in month(s). Please put "N.A.", if it is not applicable.

**2.15 Column 14 - Salary Adjustment After Confirmation**

Please input "YES" , if there is salary adjustment after confirmation; and "NO" if it is not applicable.

**2.16 Column 15 - Typical Next Job for Progression**

Please provide the job title of the typical next job for progression. If the "typical next job for progression" has an existing employee, please ensure the information provided here matches that of the job title for the existing employee as provided in **column 6**.

**2.17 Column 16 - Annualised Basic Salary**

Please provide the annualised actual basic salary/target basic salary offered/to be offered to the job-holder.

Scenario		Information Required
a.	Jobs listed in 1.2 with a job-holder who was confirmed on or before 1 April 2018.	Please provide the annualised actual basic salary to the job-holder based on the basic salary as at 1 April 2018 (i.e. actual monthly salary as at 1 April 2018 multiplied by 12 months).
b.	Jobs listed in 1.2 with a job-holder who was on probation on 1 April 2018 with no post-confirmation salary adjustment.	Please provide the annualised target basic salary which would be offered to the job-holder upon confirmation under your compensation policies prevailing as at 1 April 2018 (i.e. the target monthly salary multiplied by 12 months).
c.	Jobs listed in 1.2 with a job-holder who was on probation on 1 April 2018, but will have post-confirmation salary adjustment.	Please provide the annualised target basic salary which would be offered to the job-holder upon confirmation under your compensation policies prevailing as at 1 April 2018 (i.e. the target monthly salary multiplied by 12 months).

Note: The collection of target data is used for cross-checking the accuracy of entries in the questionnaire only.

#### 2.18 Column 17 - Fixed / Guaranteed Payments

Please provide the annualised of actual bonus paid/will be paid on top of the basic salary and on a guaranteed basis either contractually or by established practice, e.g. one month's salary in the case of guaranteed bonus of the 13th month salary. Guaranteed bonus may also include end-of-contract gratuity on a fixed amount or based on a pre-set percentage of total salary of the contract period.

#### 2.19 Column 18 - Bonus Eligibility

Please input "YES" , if the job is eligible for getting variable pay; and "NO", if the job is not eligible for getting variable pay.

#### 2.20 Column 19 - Variable Pay

Examples of variable pay may include sales commission, incentive bonus, performance pay, attendance awards, or end-of-contract gratuity on a variable amount (e.g. based on business/individual performance). Please provide information on the annualised amount of the variable pay as follows —

Scenario		Information Required
a.	Jobs listed in 1.2 with a job-holder who was confirmed on or before 1 April 2018.	Please provide the total amount of actual variable compensation paid or to be paid in cash to the job-holder during the 12 months prior to 1 April 2018. If the job-holder has less than 12 months' service as at 1 April 2018, please provide the annualised amount base on your compensation policies.
b.	Jobs listed in 1.2 with a job-holder who was on probation on 1 April 2018 with no post-confirmation salary adjustment.	
c.	Jobs listed in 1.2 with a job-holder who was on probation on 1 April 2018, but will have post-confirmation salary adjustment.	Please provide the annualised target amount of variable compensation paid or to be paid in cash at the rate entitled by the job-holder upon confirmation under your organisation's compensation policies prevailing as at 1 April 2018.

Note: The collection of target data is used for cross-checking the accuracy of entries in the questionnaire only.

**2.21 Column 20 - Housing Allowance - Housing Allowance per annum**

**2.22 Column 21 - Other Allowance - Other Allowances per annum**

Please provide information as follows —

Scenario		Information Required
a.	Jobs listed in 1.2 with a job-holder who was confirmed on or before 1 April 2018.	Please provide the total amount of cash allowance(s) paid or to be paid to the job-holder during the 12 months prior to 1 April 2018. If the job-holder has less than 12 months' service as at 1 April 2018, please provide the annualised amount based on your
b.	Jobs listed in 1.2 with a job-holder who was on probation on 1 April 2018 with no post-confirmation salary adjustment.	



		compensation policies.
c.	Jobs listed in 1.2 with a job-holder who was on probation on 1 April 2018, but will have post-confirmation salary adjustment.	Please provide the annualised target amount of cash allowance(s) at the rate entitled by the job-holder upon confirmation under your organisation's compensation policies prevailing as at 1 April 2018.

Note: The collection of target data is used for cross-checking the accuracy of entries in the questionnaire only.

### 2.23 **Column 22 - Type of Other Allowances**

Please specify the type(s) of the allowance(s) if you have provided figures under "Other Allowances".

## 2018 Specific Study for the Civil Service QG 8 - Data Submission Pack

### Part I. Company Profile

#### 1. General Information

1.1.	Name of Organisation :	
1.2.	Name of Contact Person :	
1.3.	Job Title of Contact Person :	
1.4.	Telephone of Contact Person :	
1.5.	Email of Contact Person :	

#### 2. Organisation Profile

2.1.	No. of employees (monthly paid) as at 1 April 2018 :	
2.2.	No. of full-time entry-level employees recruited between 2 April 2017 to 1 April 2018 and still under such employment as at 1 April 2018 (excluding interns, apprentices, imported labour and employees whose term of employment is less than a year.)	
2.3.	Nature of Core Business :	
2.4.	Total Annual Revenue :	

#### 3. Remuneration Policy

3.1.	Salary Review Month(s) :	
3.2.	Assuming the entry-level job is offered to a candidate who is academically qualified but with <u>lower</u> experience than the job requirement; whether the base salary would be the same? (YES/NO) :	
3.3.	If NO, please specify the	<i>[please enter free text]</i>

	arrangement :	
3.4.	Assuming the entry-level job is offered to a candidate who is academically qualified but with <u>higher</u> experience than the job requirement; whether the base salary would be the same? (YES/NO) :	
3.5.	If NO, please specify the arrangement :	<i>[please enter free text]</i>
3.6.	No. of company grades as at 1 April 2018 :	<i>[please enter free text]</i>
3.7.	Please specify the name of different company grades :	<i>[please enter free text]</i>

#### 4. Pay Movement

4.1.	Does your company has pay policy on recruiting graduates? (YES/NO)	
4.2.	Please provide the starting salary for graduate entry-level position in 2017-2018.	
4.3.	Please provide the starting salary for graduate entry-level position in 2016-2017.	
4.4.	Please provide the starting salary for graduate entry-level position in 2015-2016.	

#### 5. QG 3 Group I (Higher Diploma or Associate Degree plus 0-1 year of experience) and QG 4 (Higher Certificate or equivalent plus 3 years of experience)

5.1	Does your organisation use any of the following qualification(s) as minimum qualification requirement for entry-level?	
	Higher Diploma plus 0-1 year of experience	
	Associate Degree plus 0-1 year of experience	

Higher Certificate or equivalent plus 3 years of experience	
---	--

5.2	If yes, what are these positions? Please specify these positions corresponding to the requirements below.
-----	---

Higher Diploma plus 0-1 year of experience	<i>[please enter free text]</i>
--	---------------------------------

Associate Degree plus 0-1 year of experience	<i>[please enter free text]</i>
--	---------------------------------

Higher Certificate or equivalent plus 3 years of experience	<i>[please enter free text]</i>
---	---------------------------------

5.3	If no, why there are no positions with requirements similar to these requirements? Please specify the reasons corresponding to the requirements below.
-----	--

Higher Diploma plus 0-1 year of experience	<i>[please enter free text]</i>
--	---------------------------------

Associate Degree plus 0-1 year of experience	<i>[please enter free text]</i>
--	---------------------------------

Higher Certificate or equivalent plus 3 years of experience	<i>[please enter free text]</i>
---	---------------------------------

## Part II (A): Remuneration Package for Entry-Level Jobs under QG 8

This section is to facilitate the collection of individual employees' current total remuneration data. Data reference date should be **1 April 2018**.

### Section 1: Basic Information

Employee ID	Date of Hire	Incumbent's Actual Qualification	Incumbent Years of Experience	Pay Variation (YES/NO)
Unique employee code, consistent year over year	(dd/mm/yyyy)	Educational qualification of the incumbent	Years of working experience of the incumbent	Pay variation due to job holder's qualification/experience
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>
Sample 1	15/01/2017	Degree	0	NO
Sample 2	15/06/2017	Degree	1	NO
Sample 3	01/04/2017	Master	0	NO
Sample 4	15/08/2017	Degree	1	NO

### Section 2 : Job Profile

Job Title	Job Tiers	Job Functions	Job Family (JF)
	Please indicate the tiering of job. Entry-level positions is represented by Tier 0, and its progressed job is represented by Tier 1 onwards.	Main job sub functions	Select from the five JFs
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>
HR Assistant	Tier 0	Compensation & Benefit	JF2: Internal Support (Corporate Services)
Sales	Tier 0	Sales/BD	JF5: Public Services (Community)

Representative			
Sales Representative	Tier 0	Sales/BD	JF5: Public Services (Community)
HR Assistant	Tier 0	Talent Management	JF2: Internal Support (Corporate Services)

Company Grade	Minimum Qualification	Minimum Years of Experience	Probationary Period (if applicable)	Salary Adjustment After Confirmation (YES/NO)	Typical Next Job for Progression
Your Company's internal grade	Minimum educational qualification for appointment to the job	Years of minimum experience for appointment to the job	Please state the duration of probationary period in month(s). Please put "N.A." if it is not applicable.	Please input "YES" if there is salary adjustment after confirmation and "NO" if it is not applicable.	Please provide the job title of the typical next job for progression.
<b>Optional</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>
A	Degree	0	N.A.	NO	HR Officer
A	Degree	0	N.A.	NO	Senior Sales Representative
A	Degree	0	N.A.	YES	Senior Sales Representative
A	Degree	0	N.A.	NO	HR Officer

### Section 3: Pay Package

Annualised Basic Salary	Fixed / Guaranteed Payments	Bonus Eligibility	Target Variable Pay	Housing Allowance	Other Cash Allowances	Type of Other Allowances
Annualised amount	Annualised amount	Use the drop-down List	Annualised amount	Annualised amount	Annualised amount	Specify Other Allowances

		(YES/NO)				
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
\$120,000	\$10,000	NO	\$0	0	\$10,000	Education Allowances
\$144,000	\$12,000	YES	\$12,000	0	\$10,000	Education Allowances
\$144,000	\$12,000	YES	\$12,000	0	\$10,000	Education Allowances
\$144,000	\$12,000	NO	\$0	0	\$10,000	Education Allowances

## Part II (B): Remuneration Package for Jobs of Tier 1 and above under QG 8

This section is to facilitate the collection of individual employees' current total remuneration data. Data reference date should be **1 April 2018**.

### Section 1 : Basic Information

Employee ID	Date of Hire	Incumbent's Actual Qualification	Incumbent Years of Experience	Pay Variation (YES/NO)
Unique employee code, consistent year over year	(dd/mm/yyyy)	Educational qualification of the incumbent	Years of working experience of the incumbent	Pay variation due to job holder's qualification/experience
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>

### Section 2 : Job Profile

Job Title	Job Tiers	Job Function	Job Family (JF)	Company Grade
	Please indicate the tiering of job. Entry-level positions is represented by Tier 0, and its progressed job is represented by Tier 1 onwards.	Main job sub functions	Select from the five JFs	Your Company's internal grade

Mandatory	Mandatory	Mandatory	Mandatory	Optional

Minimum Qualification	Minimum Years of Experience	QG	Probationary Period (if applicable)	Salary Adjustment After Confirmation (YES/NO)	Typical Next Job for Progression
Minimum educational qualification for appointment to the job	Years of minimum experience for appointment to the job	Please select from the pull-down menu.	Please state the duration of probationary period in month(s). Please put "N.A." if it is not applicable.	Please input "YES" if there is salary adjustment after confirmation and "NO" if it is not applicable.	Please provide the job title of the typical next job for progression.
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>

### Section 3 : Pay Package

Annualised Basic Salary	Fixed / Guaranteed Payments	Bonus Eligibility	Target Variable Pay	Housing Allowance	Other Cash Allowances	Specify Other Allowances
Annualised amount	Annualised amount	Use the drop-down List (YES/NO)	Annualised amount	Annualised amount	Annualised amount	Specify Other Allowances
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>



**Part II (C): Policy & Practice for Entry-Level Jobs and Tiers below Managerial Positions under QG 8**

*This section is to facilitate the collection of organisation-wide pay and career policy. Data & policy reference date should be 1 April 2018.*

**1. How many career paths (work streams) are there in your organisation with Entry-Level Jobs comparable to QG 8 (A degree plus 0-1 year of experience).**

4

**2. If there are more than one career paths (work streams), what are the category criteria?**

by Function
YES
1

*If Others, please specify:*

**3. Do these career paths (work streams) share the same salary structure?**

**4. How many salary structures are there in total for these jobs?**

*If there is only one structure, please complete structure 1 only. If there are 2 structures, please complete structure 1 and 2.*

*And if there are more structures, please complete the corresponding structures below.*

**STRUCTURE , IF APPLICABLE**

For structure \_\_, how many tiers of jobs are there before reaching the manager position

(incumbents of these tiers of jobs should not be the chief performance appraiser/ the one accountable for performance review of any subordinates along career ladder)?

--

Please indicate which of the following job families are covered under this structure.

JF2:	Internal Support (Corporate Services)	
JF3:	Internal Support (Technical & Operation)	
JF4:	Public Services (Social & Personal Services)	
JF5:	Public Services (Community)	
JF6:	Public Services (Physical Resources)	

Please complete the information for each tier accordingly. If there are less than five tiers of jobs before reaching the managerial grade, please leave the unused tiers blank.

Tier	
<b>I. Job Profile</b>	
1.1. Company Grade	
1.2. Establishment as at <b>01.04.2018</b>	
1.3. Minimum Qualification	
1.4. Minimum Years of Experience	
<b>II. Career Progression</b>	
2.1. Typical no. of Year of Service for Progression	
2.2. % of Progression to next Tier (2014-2015)	
2.3. % of Progression to next Tier (2015-2016)	
2.4. % of Progression to next Tier (2016-2017)	
2.5. Progression Criteria	
<b>III. Pay Package</b>	
3.1. Annualised Basic Salary Range (HK\$) - Min. Point	
3.2. Annualised Basic Salary Range (HK\$) - Max. Point	
3.3. Fixed/Guaranteed Payments (HK\$)	
3.4. Bonus Eligibility	
3.5. Annual Target Variable Pay %	
3.6. Annual Eligible Housing Allowance (HK\$)	
3.7. Annual Other Cash Allowance Eligibility (HK\$)	
<b>IV. Turnover Rate</b>	
<b>4.1. Average Total Turnover Rate</b>	
a. 2015 - 2016	
b. 2016 - 2017	
c. 2017 - 2018	

**4.2. Average Voluntary Turnover Rate**

- a. 2015 - 2016
- b. 2016 - 2017
- c. 2017 - 2018


**4.3. Average Involuntary Turnover Rate**

- a. 2015 - 2016
- b. 2016 - 2017
- c. 2017 - 2018


**4.4. Major Reason for Resignation**

--

**V. Training & Development Opportunities**

- 5.1. Target Training & Development Program
- 5.2. Specify the Training/ Development Program
  
- 5.3. Job Rotation
- 5.4. Job Switching
- 5.5. Job Progression Chances


**Part III: Remuneration Package for Entry-Level Jobs under QG 3 Group I and QG 4  
(for entry-level jobs only)**

**Section 1: Basic Information**

<b>Employee ID</b>	<b>Date of Hire</b>	<b>Incumbent's Actual Qualification</b>	<b>Incumbent Years of Experience</b>	<b>Pay Variation (YES/NO)</b>
Unique employee code, consistent year over year	(dd/mm/yyyy)	Educational qualification of the incumbent	Years of working experience of the incumbent	Pay variation due to job holder's qualification/experience
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>

**Section 2: Job Profile**

<b>Job Title</b>	<b>Job Tiers</b>	<b>Job Function</b>	<b>Job Family (JF)</b>	<b>Company Grade</b>
		Main job sub functions	Select from the JFs	Your Company's internal grade
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Optional</b>
	Tier 0			
	Tier 0			

<b>Minimum Qualification</b>	<b>Minimum Years of Experience</b>	<b>QG</b>	<b>Probationary Period (if applicable)</b>	<b>Salary Adjustment After Confirmation (YES/NO)</b>	<b>Typical Next Job for Progression</b>
Minimum educational qualification for appointment to the job	Years of minimum experience for appointment to the job	Please select from the pull-down menu.	Please state the duration of probationary period in month(s). Please put "N.A." if it is	Please input "YES" if there is salary adjustment after confirmation and "NO" if it	Please provide the job title of the typical next job for progression.

			not applicable.	is not applicable.	
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>

**Section 3 : Pay Package**

<b>Annualised Basic Salary</b>	<b>Fixed / Guaranteed Payments</b>	<b>Bonus Eligibility</b>	<b>Target Variable Pay</b>	<b>Housing Allowance</b>	<b>Other Cash Allowances</b>	<b>Specify Other Allowances</b>
Annualised amount	Annualised amount	Use the drop-down List (YES/NO)	Annualised amount	Annualised amount	Annualised amount	Specify Other Allowances
<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>	<b>Mandatory</b>

Thank you for your participation!

## Annex G: Summary of findings on Civil Service Pay Arrangements in Overseas Countries

	Australia	Canada	New Zealand	Singapore	United Kingdom
<b>Pay Policy and Administration</b>					
Pay Policy	To support public sector entities in creating workplace arrangements that enable sustainability and high performance	To attract, retain, motivate and renew the civil service workforce required to deliver results to its people	To attract and retain talent the government needs while staying within financial means	To reflect the values of integrity, meritocracy and reward for hard work	To ensure a fair remuneration package for public sector workers and the delivery of world class public services, which are affordable within the public finances and fair to taxpayers as a whole
Pay components	(a) base salary; (b) benefits; and (c) bonuses – individual performance bonus, retention bonus and team/group bonus	(a) base salary with automatic pay increment to next step; (b) occupation-specific allowance; and (c) performance pay for a very small portion of civil servants (predominantly at senior levels)	(a) base salary; and (b) performance pay	(a) base salary with automatic pay increment to next step (except for senior civil servants who are remunerated on salary ranges); (b) non-pensionable annual allowance; (c) annual variable component based on Singapore’s economic performance; (d) performance bonus based on individual performance; and (e) national bonus (to be paid if the targets for the specified socioeconomic indicators are met)	(a) base salary; (b) performance payments awarded based on performance either at an individual, team or organisational level; and (c) allowances for a few departments with exceptional recruitment and retention pressures

	<b>Australia</b>	<b>Canada</b>	<b>New Zealand</b>	<b>Singapore</b>	<b>United Kingdom</b>
Major considerations in pay determination and review	<p>(a) enterprise agreements should not contain restrictive work practices;</p> <p>(b) remuneration increases are to be modest and to remain within agencies' existing budgets;</p> <p>(c) employment terms and conditions are to be reasonable, reflecting community standards; and</p> <p>(d) freedom of association is to be respected</p> <p>For annual review of remuneration for key positions and high-profile roles, the following are taken into account:</p> <p>(a) economic conditions;</p> <p>(b) past and projected movements in remuneration in the private and public sectors;</p> <p>(c) information from authoritative external sources such as the Australian Bureau of Statistics; and</p> <p>(d) outcomes of reviews of public offices</p>	<p>(a) external comparability with labour market;</p> <p>(b) internal relativity reflecting the relative value of work performed;</p> <p>(c) individual/group performance contributing to business results; and</p> <p>(d) affordability</p>	<p>(a) remuneration should be set at a level that reflects the scope and complexity of the role and the knowledge, expertise and demonstrated capabilities of the job holder;</p> <p>(b) the level of performance should guide the remuneration received;</p> <p>(c) levels of remuneration must be fiscally defensible; and</p> <p>(d) the remuneration should be able to handle changes in agreed performance levels, roles or fiscal and economic situation</p>	<p>(a) paying a "clean wage" (i.e. paying "all cash" to avoid hidden benefits in the form of housing, cars, and other allowances);</p> <p>(b) part of the compensation depends on performance to provide a direct linkage between annual performance and pay; and</p> <p>(c) paying competitive rates to keep pace with the market, attracting talent and reducing the likelihood of corruption</p>	<p>(a) the limitation to increase in remuneration cost for delivery of reductions to departmental spending while protecting the quality of public services. An average annual pay award increase rate is dictated;</p> <p>(b) removal of all remaining entitlement to contractual progression pay (akin to Hong Kong's pay increment);</p> <p>(c) each organisation has non-consolidated performance pay pot (i.e. a cash value derived from a percentage of an organisation's consolidated baseline paybill) for rewarding good performers; and</p> <p>(d) departments may request for reallocating funding within their overall paybill from the non-consolidated performance pay pot to address specific recruitment and retention pressures</p>

	<b>Australia</b>	<b>Canada</b>	<b>New Zealand</b>	<b>Singapore</b>	<b>United Kingdom</b>
Guidelines for pay adjustments (other than the “major considerations in pay determination and reviews”)	Agencies are required to link improvements in pay and conditions to improvements in organizational productivity, and to fund any increases under their respective budgets without increasing prices or reducing the quality of services delivered	Follows the major considerations in pay determination and review mentioned above	<p>(a) Pay adjustments must support the achievement of the departmental priorities;</p> <p>(b) Adjustments must be affordable and sustainable within baseline funding and should not lead private sector movements and trends;</p> <p>(c) Market relativity and/or cost of living adjustments will not suffice as the sole basis for pay adjustment - specific business imperatives (such as improved performance) are required; and</p> <p>(d) The cost of all adjustments to pay and conditions must be taken into account when setting the financial envelopes for both bargaining and remuneration strategies</p>	Follows the major considerations in pay determination and review mentioned above	Remuneration adjustments must reflect the following key principles: (a) value for money; (b) financial control; (c) flexibility in pay systems; (d) a close and effective link between pay and performance; and (e) the inter-relationship between pay, pension provision, leave, and other terms and conditions



	<b>Australia</b>	<b>Canada</b>	<b>New Zealand</b>	<b>Singapore</b>	<b>United Kingdom</b>
Is pay administration devolved?	Yes, responsibility for managing and negotiating employment conditions in the workforce and pay adjustment for employees are devolved to agencies	No, the Treasury Board is responsible for determining terms and conditions of employment and has authority to enter into collective agreements with staff unions	Yes, the responsibility for pay determination for civil servants is devolved to individual departments under the general guideline and principles defined by the State Services Commission (SSC)  For Chief Executives (CEs) (i.e. head of departments), their pay is centrally reviewed and determined by the SSC	Yes, ministries are responsible for pay administration of their staff under the framework given by the Public Service Division	Yes, departments and agencies have authority to determine the terms and conditions of their staff (other than the Senior Civil Service)
Is fiscal situation a major factor in relevant consideration?	Yes – adjustment remains within departmental budget	Yes – affordable within the context of commitments to provide services	Yes – pay influenced by various factors with budgetary constraint being a key factor	As compared to fiscal situation, competitiveness with the market is more important	Yes – pay adjustment decision highly constrained by the limit set in the budget

	Australia	Canada	New Zealand	Singapore	United Kingdom
<b>Pay Adjustment and Pay Surveys</b>					
Frequency	Agencies commonly make an enterprise agreement with a four years' term and annual adjustment rates are defined therein	Annual	Annual  For CEs, only one mid-term pay review is conducted where the appointment term is for more than three years	Annual	Annual
Is benchmarking with the private sector/other agencies done?	Generally based on averages of civil service pay and movement in the private sector	Generally based on outsourced pay level comparison and annual national earning data	Comparison is made with other agencies within the government and occasionally with market	Benchmarking is made against the market (through purchased market data or outsourced salary survey )	Benchmarking made against private sector not observed to be a key focus in pay adjustment, though private sector data is available from pay surveys
Classification of jobs	Jobs are classified by job values and pay range applicable to each classification level determined in an agency's enterprise agreement, which includes the flexibility to consider an alternative salary for an individual employee under an individual flexibility arrangement	Based on job evaluation, jobs are categorised into occupation groups and levels	Different pay structures are adopted by individual departments	Salary ranges are set for all grades	No government-wide pay system for general civil servants; departments have different reward structures and pay scales  Job are evaluated based on know-how, problem solving and accountability

	<b>Australia</b>	<b>Canada</b>	<b>New Zealand</b>	<b>Singapore</b>	<b>United Kingdom</b>
Arrangements for setting pay for senior officers	For annual pay review of key positions and high-profile roles, the Remuneration Tribunal takes account of economic conditions in Australia, past and projected movements in remuneration in the private and public sectors and other relevant information	The Executive occupation group is not represented by any bargaining agent and its pay is determined centrally by the TB	The CE roles are grouped into three broadbands based on job size, with corresponding remuneration ranges centrally reviewed and determined	For senior civil servants, the entry pay level is benchmarked to the median income of the top 1,000 earners but with a 40% discount to signify the sacrifice that comes with the ethos of political service (No discount for other civil servants)	Pay for senior officers are separately administrated with pay framework laid down by the Cabinet Office  Core pay bands are set for senior civil servants reflecting main responsibility levels
Arrangements for setting pay for new recruits	No available information	No available information	No available information	Starting salaries vary having regard to market rate of similar positions, size of talent pool, job nature and candidates' capabilities	No available information

## **Annex H: Country Summary – Australia**

### **1. Civil Service Overview**

#### Government Overview

1.1 Australia is a federation of six states which, together with two self-governing mainland territories, have their own constitutions, parliaments, governments and laws. Under a federal system, power is divided between the federal government and the state governments. The Parliament is at the very heart of the federal government. The executive, the administrative arm of government, comes from parties or coalition of parties within the Parliament and is responsible to the Parliament.

1.2 The Cabinet, comprising senior Ministers presided over by the Prime Minister, is the government's key decision-making body. Major policy and legislative proposals are decided by the Cabinet.

#### Civil Service

1.3 As at 30 June 2017, there were 152,095 employees<sup>22</sup> in the Australian Public Service (APS). The APS includes government institutions serving the Parliament, departments and many agencies, tribunals and commissions.

### **2. Pay Policy and Administration**

#### Key Roles in Pay Administration

2.1 As a direct consequence of the Workplace Relations Act 1996, responsibility for managing and negotiating employment condition in the workforce and pay adjustment for employees has been devolved to agencies (referred to as 'enterprises' in the legislation). The results of these negotiations between the employer (agency), employees and their bargaining representatives are called enterprise agreements. Public servants and contractors are able to choose whether they wish to join public service unions or employer associations and agency heads are required to ensure that consultative arrangements encompass all employees, regardless of whether they are union members or not. As the bargaining process is time and resources intensive, agencies commonly make an enterprise agreement with a four years' term. Annual adjustment rates within the term period are defined in the enterprise agreement. After the agreement period, the agencies will start a new bargaining process in accordance with the prevailing policy.

2.2 The Remuneration Tribunal (the Tribunal) is an independent statutory authority established under the Remuneration Tribunal Act 1973 responsible for determining the remuneration arrangements of key positions and high-profile roles within the APS including the most senior offices in the service, statutory agencies, federal judiciary and certain government-owned businesses, Secretaries, as well as parliamentarians.

---

<sup>22</sup> The number of employees included that of civil servants at the federal level only. The state level employees were excluded).

2.3. Within the APS, the Australian Public Service Commission (APSC) plays a central leadership role in contributing to its future capability and sustainability. It promotes good practice in people management, supports leadership development and learning, and fosters ethical behavior and diversity in the workplace.

#### Pay Policy Objective and Principles

2.4 The pay policy is part of the Workplace Bargaining Policy which aims to support public sector entities in creating workplace arrangements that enable sustainability and high performance. The key principles of the latest policy are:

- (a) enterprise agreements should not contain restrictive work practices that unreasonably limit flexibility;
- (b) remuneration increases are to be modest and to remain within agencies' existing budgets, reflecting the need for wages restraint in the current economic circumstances;
- (c) public sector terms and conditions are to be reasonable, reflecting community standards; and
- (d) freedom of association is to be respected.

#### Pay Structure and Components

2.5 To maintain internal relativity, a Classification Structure is designed to provide a flexible framework for a wide variety of APS jobs across a diverse range of agencies. The structure is based on a single spine of classification levels. The jobs in each agency are classified by work value of the duties being performed. This approach facilitates mobility within the APS and supports the concept of a unified APS. It also provides a structure that enables the merit-based promotion of APS employees to a higher classification level. The approved classification levels are:

- (a) APS Levels 1-6 (covering most of the staff in the APS);
- (b) Executive Levels 1-2 (covering middle managers); and
- (c) Senior Executive Bands 1-3 (covering senior executives).

The pay range applicable to each classification level is determined in an agency's enterprise agreement, which includes the flexibility to consider an alternative salary for an individual employee under an individual flexibility arrangement.

2.6 Agencies may introduce broadbanding, where two or more APS classification levels are combined into a single broader band, to meet their specific needs. Such an arrangement generates more development and career opportunities for employees, reduces promotion expenses, and produces a less hierarchical and more team-oriented workforce.

2.7 There are three key pay components forming APS remuneration, namely:

- (a) Base salary - annualised regular salary paid to an employee;
- (b) Benefits – include agency superannuation contribution, car cost, car parking, etc.; and
- (c) Bonuses – include individual performance bonus, retention bonus and team/ group bonus.

According to the Remuneration Report 2016 published by the APSC, base salary is the major pay component making up most of their total remuneration whereas bonuses only account for a tiny portion of it.

2.8 All APS agencies link remuneration to individual performance in one way or another. One of the common types to performance-based remuneration is performance bonus payments, which usually is a one-off bonus payment in recognition of higher than satisfactory performance. Agencies can also provide a base salary increase for good performers in terms of incremental progression through pay points or percentage change in salary.

### **3. Pay Adjustment and Pay Surveys**

3.1 Since 1997, agencies have been required to link improvements in pay and conditions to improvements in organisational productivity, and to fund any increases under agency budgets without increasing prices or reducing the quality of services they deliver.

3.2 According to the latest Workplace Bargaining Policy (the Policy) released in February 2018, agencies may negotiate increases of up to an average of 2% per annum, paid prospectively, subject to affordability. The APSC continues to implement and advise on the Policy, and the approval of its Commissioner is required at key stages of the process. Agencies have the discretion to negotiate pay arrangements with their employees within the parameters of the Policy. As for annual review of remuneration for key positions and high-profile roles, the Tribunal takes account of economic conditions in Australia, past and projected movements in remuneration in the private and public sectors (including the APS), information from authoritative external sources such as the Reserve Bank of Australia and the Australian Bureau of Statistics as well as the outcomes of reviews of public offices it completed.

3.3 In addition, the APSC issues an APS Statistical Bulletin each year which is a summary of APS employment to assist agencies with workforce planning and benchmarking against APS averages. Besides, a census of APS employee remuneration is conducted annually by the APSC. The census provides participating APS agencies with agency-specific and APS-wide data that informs their remuneration practices.

## **Annex I: Country Summary – Canada**

### **1. Civil Service Overview**

#### Government Overview

1.1 Canada is a parliamentary democracy and a constitutional monarchy. Canada operates on three levels of government: federal (central), provincial, and municipal (local) levels. The federal government, headed by the Prime Minister, oversees the national policies and issues including immigration, defence, the economy and trade with other nations. Similarly, provincial governments create and enforce laws and policies that affect their provinces. These include education, transportation, healthcare, etc. Operating within each of Canada's ten provinces, municipal governments handle local issues such as parks, local law enforcement and water systems.

1.2 Legislative power is vested in Parliament which is divided into three parts: the Monarch (Head of State), the Senate (Upper Chamber) and the House of Commons (Lower Chamber). The leader of the majority party in the House of Commons is the Prime Minister of Canada. Senate, which consists of 105 members chosen by the Prime Minister, is intended to safeguard the regional interest and pass laws created by the House of Commons.

#### Civil Service

1.3 The Civil Service at the federal level is known as the Public Service of Canada, with each of the ten provincial governments also having their own separate civil services. The role of the Public Service is to assist the Government of Canada to provide for peace, order and good governance.

1.4 The Public Service consists of two population segments: the Core Public Administration (CPA) and separate agencies. CPA departments and agencies are named in schedules of the Financial Administration Act. Examples include Department of Finance, Department of Transport, Statistics Canada, etc. and separate agencies, such as Canada Revenue Agency, Canadian Nuclear Safety Commission, etc. There were 262,696 federal civil servants in 2017.

### **2. Pay Policy and Administration**

#### Key Roles in Pay Administration

2.1 The Treasury Board (TB) of Canada is responsible for all matters relating to human resources management in the CPA, including determining terms and conditions of employment and formulating the pay policy, while separate agencies are allowed to conduct their own pay negotiation with their employees. There are in total 31 occupation groups in the CPA, in which 27 of them are represented by bargaining agents (i.e. staff unions engaged in the bargaining process). For these represented employees, the TB has the authority to enter into collective agreements with their bargaining agents. On the other hand, four of the occupation groups are not represented by any bargaining agent, i.e. Executive, Human Resources Management, Law Management and Police Operations Support.

2.2 On behalf of the TB, the Board Secretariat's Compensation and Labour Relations (CLR) Branch ensures the renewal of 27 collective agreements by negotiating with the relevant bargaining agents.

2.3 At the initial stage of bargaining, both parties participate in an exchange of proposals. The proposals presented by the TB and the bargaining agent outline the items they wish to amend, delete or add to the collective agreement. In subsequent meetings, the parties continue their discussion with the objective of reaching an agreement. The agreement focuses on annual pay increase and adjustment to any applicable benefits or allowances.

2.4 Separate agencies conduct their own negotiations for represented employees and determine compensation levels for unrepresented employees. Most separate agencies require the approval of the Governor in Council to enter into collective agreements with the bargaining agents representing their employees. The TB, however, maintains its expenditure management role in relation to separate agencies. Therefore, all unionised separate agencies, in advance of bargaining, are required to obtain a mandate from the President of the TB through the CLR Branch. The collective bargaining mandates illustrate the objectives to be pursued and the limits to be observed.

#### Pay Policy Objectives and Principles

2.5 The civil service pay policy aims to attract, retain, motivate and renew the civil service workforce required to deliver results to Canadians. It takes diverse and complex factors into consideration when addressing compensation issues. According to the Policy Framework for the Management of Compensation, all compensation decisions by the TB are guided by four key principles:

- (a) **External Comparability** - Compensation should be competitive with, but not lead, similar jobs in relevant labour markets;
- (b) **Internal Relativity** - Compensation should reflect the relative value of the work determined from classification relativity analysis in the job evaluation process;
- (c) **Individual/Group Performance** - Compensation should reward performance based on individual or group contributions to business results; and
- (d) **Affordability** - The cost of compensation must be affordable within the context of the commitments to provide services to Canadians, the fiscal circumstances, and the state of the Canadian economy.

The above principles are to be balanced against economic policy objectives, social policy objectives and public expectations.

#### Pay Structure and Components

2.6 The pay structure in the Public Service is primarily made up of base salary. Through job evaluation, each job is categorised into a specific occupation group (or subgroup) and level. At a given occupation group and level (e.g. Typist 2), there will be generally 3 to 6 steps differentiating the annual base salary (There could be, although rare, up to 12 steps in a level). The progression of each step is around 1 to 3%, where progression at the bottom is usually highest and decrease gradually when moving up. Civil servants are typically assigned to the minimum rate and receive automatic pay increment to next step on the anniversary date of appointment until they reach the maximum rate (akin to Hong Kong's pay increment).



2.7 In addition to base salary, employees may receive a department and occupation-specific allowance but the amount is usually negligible when compared to their base pay. Examples include overtime meal allowance and clothing allowance. Any improvement or adjustment to these allowances are covered in the collective agreements.

2.8 Only a very small portion of civil servants (predominantly the executives) receive performance pay. The TB decides and communicates annual limits on the amount that each department can spend on performance pay on March 31 each year.

### **3. Pay Adjustment and Pay Surveys**

#### *Common Approach and Considerations*

3.1 Before 1992, the Pay Research Bureau under the TB conducted compensation analysis and research to facilitate pay adjustment. Most of the research services were eventually eliminated in 2014. Nowadays, external HR consultancies are commonly engaged to conduct pay level comparisons or research. In addition, Statistics Canada still provide wages, salaries and other earnings data (surveys are usually conducted annually) that serve as a reference for both the TB and bargaining agents.

3.2 As set out in paragraph 2.5, key considerations for the TB in reaching collective agreements on pay adjustment are relativity of the jobs, pay for performance, competitiveness of civil servants' compensation to comparable jobs in the relevant markets and affordability. Bargaining agents, on the other hand, focus more on improving the working conditions and negotiating the wage adjustments with regard to the rate of inflation. They are highly concerned with catching wage adjustments up to the current inflation rate and always wish to ensure that wage adjustments do not fall behind the anticipated inflation rate over the length of their contracts.

3.3 Pay adjustments are conducted annually as described in the collective agreements. Taking the latest collective agreements for Applied Science and Patent Examination as an example, the pay increase is set to be 1.25% for four consecutive years from 2014 to 2017. This implies each step in the occupational group and level is adjusted upward by 1.25% annually. The agreement will expire on 30 September 2018 and new rounds of pay adjustment will be determined in the future negotiation. External comparisons may not be done for each round of bargaining.

## **Annex J: Country Summary – New Zealand**

### **1. Civil Service Overview**

#### Government Overview

1.1 New Zealand is a constitutional monarchy with a parliamentary system of government. The Parliament passes laws and acts in a scrutiny role, controlling taxation and public expenditure.

1.2 New Zealand government has two tiers:

- (a) The central government - makes decisions affecting New Zealand as a whole. For examples, housing, welfare, education, health, justice, immigration, police and defence. It also regulates employment and workplace safety.
- (b) The local governments - look after the interests and needs of specific communities through regional, city or district councils. For examples, water, parks, street lighting, roads, local public transport and libraries. They also process building and environmental consents and administer other regulatory tasks.

1.3 The Cabinet is the main decision-making body of the central government, and is made up of Ministers who are responsible to the Parliament, both collectively for the overall performance of the Government, and individually for the performance of their respective portfolios. The Prime Minister leads the Ministers and acts as the chair of the Cabinet.

1.4 Ministers decide both the direction of and the priorities for their departments. They are responsible for determining and promoting policies, defending policy decisions and answering in the House on both policy and operational matters in respect of their departments. The main point of contact between the Minister and a department in the Public Service is the Chief Executive (CE) who takes care of the policy execution and operation of the department concerned. CEs are also responsible for the financial management, performance, and sustainability as well as for matters relating to the employment of individuals within their departments.

1.5 Local government, on the other hand, is the system of locally elected members representing their communities and making decisions on their behalf. Local authorities have to act within the legislative framework established and maintained by the Parliament or central government.

#### Civil Service

1.6 The civil service in New Zealand is called the Public Service, which comprises 31 departments and 1 departmental agency. Staff employed in the wider public sector in around 2,900 agencies enjoy different conditions and pay from those in the Public Service.

1.7 The New Zealand Public Service employed 48,900 people as at 30 June 2017, representing around 16.5% of the staff in the central government.

## 2. Pay Policy and Administration

### Key Roles in Pay Administration

2.1 Responsibilities for pay administration are devolved to the departmental level without a government-wide framework. However, two central departments are playing important roles in the pay administration:

- (a) **The Treasury** sets overall fiscal parameters. Though there is no separate budget guideline for pay expenditure, agencies are required to operate within the overall baseline budget. The Treasury monitors and manages financial affairs and assesses proposals which have financial implications; and
- (b) The **State Services Commission (SSC)** leads the public sector and coordinates bargaining parameters for pay and employment conditions. Agencies are required to consult the SSC when developing their bargaining strategy and seek SSC's signoff before confirming the collective agreement with their employees. In addition, it also controls the pay policies of CEs.

2.2 Within the baseline budget and following the bargaining parameters, agencies are free to develop their own pay strategies, policies and practices according to their organisational nature and development needs. The only exception is the pay of CEs which is centrally reviewed and determined by the SSC.

### Separate Pay Arrangement for CEs

2.3 The State Services Commissioner (the Commissioner) is the employer of most CEs and determines their pay.

2.4 To provide greater consistency in remuneration decisions across the CE group and simplify the process of remuneration administration, CE roles are now grouped into three broad bands based on job size, with corresponding remuneration ranges. Remuneration range dimensions for each band are a minimum of 80% to a maximum of 120% of the midpoint. This also provides the flexibility needed to support the movement of CEs across public sector when conditions require this.

2.5 A CE's remuneration package is typically made up of three components:

- (a) **Target Remuneration** which is the level of pay that CE can expect to earn if very effective performance is demonstrated against the expected performance levels for the job. To ensure sustainability in good performance against expected levels, only 90% of the Target Remuneration amount is paid fortnightly as salary, and 10% is withheld until after performance has been assessed at the end of the year.
- (b) **Superannuation** which is the employer's contribution to the CEs superannuation arrangements which, for most CEs, is 10% of salary.
- (c) **Performance Payment** which is an exceptional amount based on up to 15% of a CE's Target Remuneration. This payment is specifically linked to a CE demonstrating exceptional performance against the system-wide stewardship expectations and is paid at the Commissioner's discretion.

2.6 An important feature of the remuneration system is the reduced frequency of remuneration reviews to recognise the current low inflation environment. At present only one mid-term pay review is conducted where the CE's appointment term is for more than three years. A CE appointed for a term of fewer than three years will generally have the same remuneration for the duration of their term.

2.7 When designing or reviewing the level of remuneration of CEs, the following major principles are considered:

- (a) **Fair reward** - Remuneration will be set at a level that reflects the scope and complexity of the role and the knowledge, expertise and demonstrated capabilities of the job holder.
- (b) **Performance guides remuneration** - There is a clear alignment between the level of performance demonstrated and the total remuneration received.
- (c) **Value for money** - Levels of remuneration must be fiscally defensible and able to be demonstrated as good value for public money.
- (d) **Flexibility** – The remuneration should be able to handle changes in agreed performance levels, roles or fiscal and economic situation.

#### Pay Principles for General Civil Servants

2.8 Except for the remuneration of CEs which is centrally managed, the responsibility for pay determination for the remaining civil servants is devolved to individual departments under the general guideline and principles defined by the SSC. As one of the Government's priorities is to deliver better public services to the people of New Zealand within the tight financial constraints the Government is operating under, all decisions about pay and employment conditions are expected to support this priority. The objective of civil service pay policy is to attract and retain talent agencies need while staying within their financial means.

2.9 Under the guiding principles of decentralised pay administration, each department has autonomy to design and manage its own pay structure. The pay is influenced by organisational business needs, wider market conditions and the departmental budget position each year.

#### Pay Components

2.10 Salary is the core and largest component for the general civil servants; other components include performance pay and superannuation. There is no automatic increment as pay ranges are adopted and movement within a pay range is normally based on performance.

2.11 The performance-based pay element is granted usually as a result of an annual performance assessment that exceeded expectations, or some exceptional collaborative or innovative work. In the year to 30 June 2017, a total of 1,539 people or 3.1% of the Public Service employees received a performance payment.

### **3. Pay Adjustment and Pay Surveys**

#### *Principles of Pay Adjustments*

3.1 All departments must meet the following criteria when adjusting pay and employment conditions, including through collective bargaining and remuneration adjustment processes:

- (a) Pay adjustments must support the achievement of the departmental priorities. Bargaining outcomes should deliver organisational and sector performance improvement, foster continuous improvement and productivity enhancement, support effective employee engagement and productivity.
- (b) Adjustments must be affordable and sustainable within baseline funding and they should not lead private sector movements and trends.
- (c) Market relativity and/or cost of living adjustment will not suffice as the sole basis for pay adjustment – specific business imperatives (such as improved performance and demonstrable recruitment and retention difficulties) are required.
- (d) The cost of all adjustments to pay and conditions, including built-in progression through pay scales, and performance-based pay increases, as well as any changes to other conditions such as leave entitlements, must be taken into account when setting the financial envelopes for both bargaining and remuneration strategies.

#### *Common Practices and Approach*

3.2 Departments generally compare their remuneration with other agencies in the Public Service. The SSC conducts a Human Resource Capability survey annually. This survey discloses detailed information on pay trends and changes both at departmental level and aggregated up to Public Service level. The transparency of information assists agencies in making informed decisions about their remuneration strategies.

3.3 Apart from the information provided by the SSC, departments may also engage independent HR consultancies to access market data for additional reference. For example, a HR specialist has helped a number of agencies perform salary benchmarking. General market (aggregate of both private and public sectors) and public sector data were commonly used by the departments for benchmarking. Budgetary constraint rather than the competitiveness of salary against the private sector was a key factor for pay determination.

## **Annex K: Country Summary – Singapore**

### **1. Civil Service Overview**

#### Government Overview

1.1 The government in Singapore is modelled on a parliamentary system. The government is headed by the Prime Minister who leads a cabinet of ministers responsible for all government policies and the day-to-day administration of the affairs of the state. Being a country with a small population, Singapore has only one level of government – national government and local government are one and the same.

#### Civil Service

1.2 The Singapore Public Service is made up of ministries and statutory boards, which work together to deliver services to the public. At the end of 2016, there were 144,980 employees in the Public Service.

### **2. Pay Policy and Administration**

#### Key Roles in Pay Administration

2.1 Although pay policies are centrally determined by the Public Service Division (PSD), ministries have autonomy to review the competitiveness of their pay. Ministries are responsible for the pay administration of their staff under the framework<sup>23</sup> given by the PSD. They also have autonomy to make certain variations to cater for specific needs but must consult PSD when reviewing their salaries. The PSD issues directives on HR matters to ensure consistency across the Public Service. Examples of such directives include the introduction of extended paternity leave and re-employment of mature workers up to the age of 67. The overall budget for each ministry including manpower expenditure is determined by the Ministry of Finance.

2.2 In order to compete more effectively with the private sector for talent, recruitment and promotion in the Singapore Public Service have been delegated to a hierarchy of Personnel Boards but not directly to ministries. The starting salary provided is not fixed across the Public Service but vary having regard to the market rate of similar positions, size of the talent pool, job nature and the candidate's capability, etc. (e.g. work experience, skills, education).

#### Pay Policy Objectives and Principles

2.3 The objective of Singapore's pay policy and system is to reflect the values of integrity, meritocracy and reward for hard work. Key principles include:

---

<sup>23</sup> The pay framework covers the pay components, factors determining variable salary components and discounted pay formula for senior civil servants, etc.

- (a) **Paying a “clean wage”** - The government adopts a “clean wage” policy and all civil servants are paid “all cash” to avoid hidden benefits in the form of housing, cars, and other allowances;
- (b) **Performance-driven pay and promotions** - Part of the public sector compensation depend on performance. The performance bonus system was introduced to senior civil servants in 1989 and to all other officers in 2000. It aims to provide a direct linkage between a civil servant’s annual performance and pay; and
- (c) **Paying competitive rates** - The salaries of all public officers are reviewed regularly to keep pace with the market. To help attract talent to the public sector and to reduce the likelihood of corruption, the salaries of top civil servants and politicians are benchmarked against those professions considered comparable in terms of scope.

2.4 For most civil servants, incremental progression is on time-scales with fixed annual increments advised by the PSD. However, for senior civil servants (e.g. those in the Administrative Service Scheme), salary increase has been based on performance and potential and adjustment made within a specific salary range since 2000.

#### Pay Structure and Components

2.5 The Singapore civil service has a flexible wage system that comprises a fixed and a variable component. This allows the government to respond appropriately to economic and market conditions, as well as to link salary to performance. A civil servant’s package typically includes the following fixed components:

- (a) **Monthly pay** – 12 months (base salary with automatic pay increment to next step (except for senior civil servants who are remunerated on salary ranges));
- (b) **Non-pensionable annual allowance** – 1 month, commonly known as a 13<sup>th</sup>-month bonus;

And the following variable components:

- (c) **Annual variable component (AVC)** - Mid-year and year-end payments paid to civil servants based on Singapore’s economic performance. A typical AVC is 1 month. A one-off special bonus can also be made in years of exceptional economic performance;
- (d) **Performance bonus** - Varies with individual performance. Good performers will typically get three months; and
- (e) **National bonus** - It will be paid if the targets for the four socioeconomic indicators are met. The indicators are Real Median Income Growth Rate for Singapore Citizens, Real Income Growth Rate of the Lowest 20th Percentile of Singaporean income earners, unemployment rate and real GDP growth rate.

### **3. Pay Adjustment and Pay Surveys**

3.1 General speaking, the government follows the principle that civil servants’ salaries must be competitive against the private sector and there should be a “clean wage” with no hidden benefits. Besides, there is a discount in the pay formula for senior civil servants as the ethos of political service means making sacrifices.

3.2 For senior civil servants, the entry pay level is benchmarked to the median income of the top 1,000 earners<sup>24</sup> who are Singapore citizens but with a 40% discount to signify the sacrifice that comes with the ethos of political service. This benchmark is based on a larger pool that does not specify occupations and covers only Singapore citizens.

3.3 For the remaining civil servants, the PSD conducts market benchmarking on an annual basis. The market comparison covers mainly aggregated income data (e.g. data from Inland Revenue Authority). Unlike the arrangement for senior civil servants mentioned in paragraph 3.2, the benchmark for general civil servants is not discounted. Ministries have the autonomy to purchase market data or conduct a salary survey of their target groups through external consultants. The purchased data will be used to support their consultation with the PSD regarding pay arrangement for their unique schemes and services.

3.4 The government appoints committees to review the pay structure on a need basis. In 2017, the Prime Minister appointed a salary review committee to assess whether adjustments to the salary framework were required. Their recommendations include:

- (a) retaining benchmark of 60% of the median income of top 1,000 Singapore citizen income earners (i.e. with 40% discount) for the senior civil servants;
- (b) retaining the existing pay structure comprising fixed pay and variable pay;
- (c) adjusting the target level for indicators relating to the National Bonus, such as a lower target level for unemployment rate;
- (d) introducing annual adjustments to keep pace with market developments; and
- (e) retaining the system of salary ranges for all grades.

---

<sup>24</sup> Such as holders of senior management positions, representatives from the financial services and professionals.



## Annex L: Country Summary – United Kingdom

### 1. Civil Service Overview

#### Government Overview

1.1 The United Kingdom (UK) is a constitutional monarchy with a parliamentary democracy, which provides for the integration of the executive and the legislature. Parliament is the supreme legislative authority. In her role as Monarch, the Queen is nominally head of the executive and plays an integral part in the legislature (such as giving royal assent to Acts of Parliament).

1.2 The UK government (or formally known as Her Majesty's government) is led by the Prime Minister and remaining ministers. The Queen alone appoints the Prime Minister and all other ministers are appointed by her on the Prime Minister's recommendation. They are responsible for the actions, successes and failures of their departments. The Prime Minister together with 22 most senior ministers form a collective decision-making body, known as the Cabinet. Government ministers are supported by civil servants and other staff working in the 25 Ministerial Departments and their executive agencies. There are also an additional 20 non-Ministerial Departments with a wide range of responsibilities.

#### Civil Service

1.3 The Civil Service does the practical and administrative work of the government. It is coordinated and managed by the Prime Minister, in her role as Minister for the Civil Service. There were 419,399 civil servants as at 31 March 2017, including both full-time and part-time employees. Around half of civil servants provide services directly to the public, including but not limited to paying benefits and pensions, running employment services, staffing prisons, issuing driving licences, etc. When looking at a longer term, Civil Service employment has decreased since the 2008 financial crisis (down by 20.1% when compared to 2008).

1.4 The Senior Civil Service comprises the most senior positions in departments and agencies. As at 31 March 2017, the Senior Civil Service accounted for 1.2% of the total Civil Service employment.

### 2. Pay Policy and Administration

#### Key Roles in Pay Administration

2.1 In the general civil service pay process, the following three parties share different important roles and responsibilities:

- (a) **Her Majesty's Treasury (HM Treasury)** has overall responsibility for the government's public sector pay policy. Every year it determines the overall parameters for civil service pay adjustments in the pay guidance. It also ensures that civil service pay awards are consistent with the government's overall objectives.
- (b) **Cabinet Office** has responsibility for civil service management. It works with departments and agencies on workforce and reward strategies to encourage greater

consideration of workforce needs and properly tailored reward policies. It also centrally manages the pay system for the Senior Civil Service.

- (c) **Departments and agencies** have responsibility for implementing civil service pay policy for their workforce in a way that is consistent with the civil service pay guidance but also reflects the needs of their business and their labour market position. They have authority to determine the terms and conditions relating to the remunerations (excluding pensions) of their own staff outside the Senior Civil Service and the payment of allowances to all staff. All pay remits must be approved by a Secretary of State or the responsible minister.

2.2 In addition to above parties, there are currently eight **review bodies**<sup>25</sup> taking care of different groups of employees in the public sector. A review body is established as a non-departmental public body that is sponsored by the relevant department. Each review body provides independent and evidence-based<sup>26</sup> recommendations on pay, aiming to replace collective bargaining for employees they cover. The Prime Minister and relevant ministers will then react to the advice provided. For the remainder of civil servants not covered by a review body, their pay and conditions are determined through collective bargaining between trade unions and employers' representatives.

#### Separate Pay Arrangement for Senior Civil Service

2.3 Pay for the Senior Civil Service is separately administered from the rest of the civil service. The overall pay framework is laid down by the Cabinet Office. There are three core pay bands, broadly reflecting the main responsibility levels in most departments and agencies. Departments and agencies classify senior staff into pay bands with regard to their job weight scores. The minimum and maximum levels for each pay band are set each year by the Cabinet Office, taking into account the recommendations from the Senior Salaries Review Body (SSRB).

2.4 The SSRB, which is sponsored by Cabinet Office, was formed in 1971 to provide independent advice to the Prime Minister and other ministers on the pay of senior civil servants, senior officers of the armed forces and chief police officers etc. In reaching the recommendations, the SSRB considers:

- (a) the need to recruit, retain, motivate and promote suitably able and qualified people;
- (b) regional or local variations in labour markets;
- (c) government policies for improving the public services;
- (d) the funds available to departments;
- (e) the government's inflation target;
- (f) wider economic considerations and the affordability of SSRB's recommendations;
- (g) differences in terms and conditions of employment between the public and private sector;
- (h) changes in national pay systems; and
- (i) the relevant legal obligations, such as anti-discrimination legislation regarding age and gender.

<sup>25</sup> Examples are the National Health Service Pay Review Body and the Senior Salaries Review Body.

<sup>26</sup> For an illustration of the considerations taken into account by one of the review bodies (the Senior Salaries Review Body), please see paragraph 2.4 below.

### Pay Principles for General Civil Servants

2.5 The UK government aims to ensure a fair remuneration package for public sector workers and the delivery of world class public services, which are affordable within the public finances and fair to taxpayers as a whole. Apart from the Senior Civil Service, there are no government-wide pay systems. Each department is encouraged to establish reward structures and pay scales which meet their own specific needs. However, a department or agency proposing major changes to its pay and grading arrangements must submit a restructuring business case to the Cabinet Office.

2.6 According to the latest civil service pay guidance (an annual guidance released by HM Treasury on pay setting arrangements for civil servants), the key factors affecting pay-setting for 2017-18 include:

- (a) **the limitation to increase in remuneration cost** – As announced in the 2015 Summer Budget, the government would continue to take tough decisions on public sector pay in order to deliver reductions to departmental spending and protect the quality of public services. The government would fund public sector workforces for an average annual pay award increase of 1% for four years from 2016-17 onwards;
- (b) **removal of progression pay** – In 2015, the government had agreed on proposals with all departments to remove all remaining entitlement to contractual progression pay in the civil service workforce (akin to Hong Kong's pay increment). Going forward, departments should ensure that pay arrangements do not involve automatic time served progression pay;
- (c) **introduction of National Living Wage (NLW)** – The newly introduced NLW came into effect on 1 April 2016. It is an amendment to the previous national minimum wage for workers aged 25 and above;
- (d) **Pay for performance** – Each organisation has a non-consolidated performance pay pot (a cash value derived from a percentage of an organisation's consolidated baseline paybill) to reward good performers; and
- (e) **exceptional recruitment and retention pressures** – Departments may request for reallocating funding within their overall pay-bill from the non-consolidated performance pay pot to address specific recruitment and retention pressures. One of the examples is recruitment and retention allowance in the National Health Service (NHS), where local hospitals can provide them to employees on top of their regular salaries at discretion. However, hospitals should compare local turnover rates with national rates and assess how far pay is a factor in resignation through exit surveys.

### Pay Components

2.7 Basic salary constitutes the major part of civil servants' pay. Only a few departments are observed to put allowances in the fixed entitlement with reference to the labour condition, such as the recruitment and retention allowance awarded by the NHS mentioned in paragraph 2.6(e) above.

2.8 There are also non-consolidated performance payments awarded to staffs based on performance either at an individual, team or organisational level. Types of payment include:

- (a) performance related payments based on individual contributions to the organisation and assessed by the Departments performance management system; and

- (b) special bonus schemes for individual payments for special projects or outstanding pieces of work that are not covered by the normal performance management system.

### **3. Pay Adjustment and Pay Surveys**

#### Common Practice and Approach

3.1 The Cabinet Office engages external HR consultancies for reviewing existing pay structure and accessing latest market data. For example, the Cabinet Office has since 2009 commissioned a HR specialist to provide salary data for pay review on civil service grades on an annual basis. The reports produced from pay reviews are delivered to and shared with departments and agencies. Such reports comprise information such as comparison of public and private sector pay, general market pay trends and movements, policy trends and wider economic considerations.

3.2 At departmental level, departments submit their pay award proposals annually to the relevant Secretary of State. Pay remits are considered and approved on the basis of the proposals submitted in the supporting business case.

3.3 In constructing their pay award proposals, departments make reference to benchmarking data obtained through pay surveys. The backbone of such pay surveys is a robust job evaluation process, which analyses jobs in a consistent and coherent way across three major areas, i.e. know-how, problem solving and accountability.

3.4 From time to time, departments and agencies also engage HR consultancies to conduct ad-hoc reviews of their pay and reward management. Typical project outcomes are recommendations on adjusting maximum and minimum salaries for each pay range, establishing zones within each pay band and how to classify employees into a pay band zone based on their performance.

3.5 Yet, due to the limit to increase pay award by 1% (see paragraphs 2.6(a) above), the pay adjustment decision is highly constrained by such a limit.

#### Adjustment Considerations

3.6 The remuneration adjustment of staff must be developed to meet arrangements for organisational change and reward systems, and must reflect the following key principles:

- (a) value for money;
- (b) financial control;
- (c) flexibility in pay systems;
- (d) a close and effective link between pay and performance; and
- (e) the inter-relationship between pay, pension provision, leave, and other terms and conditions.

3.7 Available documentation on pay policy makes no reference to any requirement for benchmarking against the private sector. While private sector pay data is available from the HR consultancies, benchmarking against the private sector is not observed to be a key focus in pay adjustment.

3.8 According to the Civil Service Management Code, new pay and grading arrangements must be evaluated three years after they have been brought into effect, and subsequently at

three yearly intervals, against both the principles set out above as well as other objectives set by the organisation, except where a longer period is agreed by the Cabinet Office. One of the examples is the 2016 review conducted by the Foreign and Commonwealth Office, where the maximum and minimum points of entry grade were adjusted upwards since the last review in 2013.



KORN FERRY™  
| HayGroup