

Chapter III : EVIDENCE

3.1 The evidence relating to the 1987-88 Pay Trend Survey results was contained in our Interim Report. This chapter summarizes the evidence which we received concerning the 1986 Pay Level Survey. A list of submissions received and persons providing evidence to us is in Appendix 3.

3.2 None of the submissions which we have received has questioned the importance of pay level surveys as part of any system of pay comparability with the private sector. No one has suggested that the 1986 Pay Level Survey should not have been conducted or, for that matter, that no new pay level surveys should be undertaken in future. The main complaint about the 1986 Pay Level Survey is centred on the defects which are perceived in the pay level survey methodology, in particular, the method of job evaluation and the valuation of fringe benefits.

The Staff Side of the Senior Civil Service Council

3.3 In addition to their comprehensive opening submission, the Staff Side provided us with a further written submission relating to the 1986 Pay Level Survey.

3.4 In general, the Staff Side considered that Government's policies and principles on civil service pay and the different practices in the civil service and private sector should be taken into account in determining civil service pay. They quoted various statements from the Standing Commission's "First Report on Principles and Practices Governing Civil Service Pay" relating to broad comparability, Government's policy of setting an acceptable standard and being among the better-paying employers in relation to the lowest paid, the problems of job evaluation and the policy of providing equal pay for local and expatriate employees. They considered that whereas civil service pay practice and fringe benefits were well defined and known to the public, private sector pay practices were confidential and benefits might be hidden and difficult to value accurately.

3.5 In respect of the 1986 Pay Level Survey, the Staff Side made the following points :-

- (a) the appointment of Hay Management Consultants to conduct the survey was presented to the Staff Side as a fait accompli;
- (b) the Hay methodology was considered

suitable for determining the internal relativities of private sector jobs and senior management in the civil service but not suitable for external relativities comparison;

- (c) the methodology of the survey was too broadbrush and had a limited statistical basis. The Hay methodology took into account only three factors i.e. know-how, problem solving and accountability. This ignored other important factors, e.g. skill, physical effort, working conditions, etc. It was therefore unsuitable for evaluating complex civil service jobs;
- (d) the civil service sample job size was insufficient and incomplete;
- (e) the survey field should have been widened to cover other major companies; and,

- (f) the credibility of the survey findings was called into question by Government's decision to introduce changes in the pay structure of the judicial/legal grades, to review the pay and conditions of the disciplined services and to review the pay and conditions of doctors.

3.6 As regards the method of valuing fringe benefits, the Staff Side claimed that :-

- (a) not all benefits in the private sector were taken into account;
- (b) the use of maximum notional value as a means of calculating the value of benefits was biased against civil servants;
- (c) private sector fringe benefits were in the form of cash payments and were thus more flexible, whereas civil service benefits were in kind and subject to rules and limitations; and,

- (d) the valuation of civil service benefits, e.g. housing, medical and retirement benefits and personal loans, was inflated.

3.7 In addition, the Staff Side considered that :-

- (a) the time-table was too tight for a proper survey;
- (b) they were not provided with information on the persons conducting the survey, private sector information, the Pay Level Survey Steering Group report and the Pay Survey and Research Unit report on interviews and evaluation;
- (c) the lack of information precluded verification of data or a thorough understanding of the Hay methodology; and,
- (d) staff participation was inadequate and job evaluation results were therefore virtually worthless.

3.8 The Staff Side considered their exclusion from the Pay Level Survey Steering Group to be a fundamental flaw. They thought that :

- (a) the methodology of the pay level survey should have been agreed in advance by the Staff Side;
- (b) the total pay package concept should have been applied more fairly; and,
- (c) the findings of the pay level survey should have formed the basis for 'informed collective bargaining' and not for directly determining pay.

3.9 The Staff Side asked the Committee to recommend the abandonment of the findings of the 1986 Pay Level Survey (with the exception of those relating to Model Scale I staff) and Government's decision to implement its results.

3.10 The Staff Side elaborated these points in oral evidence. They said that there was a case for excluding both housing and pension benefits from the total package comparison. The inflexibility of the civil service

pensions scheme should be recognized and the value of civil service housing benefits was exaggerated.

The Official Side of the Senior Civil Service Council

3.11 In their written submission the Official Side informed us that before adoption of the proposed methodology, the Civil Service Branch had issued a synopsis of it to all departments, staff associations and consultative councils, and invited comments from staff at all levels. Comments received were summarized and included in a letter from the then Acting Governor to the Chairman of the Standing Commission, which endorsed the methodology with some changes. The methodology eventually used by Hay was based on the Standing Commission's recommendations as amended at the Acting Governor's suggestion.

3.12 As regards the findings of the pay level survey, the Administration believed that the difference between the levels of total packages for local staff in the civil service and in the private sector was attributable largely to the different levels of fringe benefits provided in the two sectors. Among these, housing benefits and retirement benefits accounted for most of the substantial difference in favour of the civil service.

3.13 It was observed that in submitting the findings of the survey to the Government, the Standing Commission made no recommendations on how account should be taken of the results in determining future civil service pay.

3.14 Finally, the Administration's view of the pay level survey was summarized as follows :-

- (a) its impartiality should not be in question;
- (b) its primary aim of making a very broad comparison of civil service and private sector remuneration levels had been achieved; and,
- (c) the Government had consistently adopted a reasonable and even-handed approach towards the question of the 1986 Pay Level Survey.

3.15 The Official Side developed their submission in oral evidence. They said that there was staff involvement in the pay level survey through their representation on the Pay Level Survey Advisory Committee. The Official Side stressed that, so far as involvement in the survey was



concerned, the Administration was placed on an equal footing with the Staff Side. The Administration did not participate in the Steering Group, nor was it involved in the selection of the management consultants to conduct the survey.

3.16 Regarding the valuation of fringe benefits, the Official Side agreed that some private sector benefits had a greater perceived value because of their flexibility. Partly as a result of this the Administration was now reviewing civil service housing and medical benefits. As to whether the maximum notional value or actual value should be used to calculate the value of fringe benefits, the Official Side considered that both methods had their advantages. The maximum notional value method was much easier to calculate and for the 1986 survey, was the method preferred. In an ideal situation, it would be better to compare the actual values in the civil service with those in the private sector for each type of fringe benefit. However, in reality there were practical difficulties in obtaining the actual values and, in 1986, in view of the time constraint, a decision was taken to use the maximum notional value.

3.17 In valuing housing, medical and dental benefits the Official Side pointed out that the Standing Commission

did take account of the actual pattern of utilization, albeit still valued at the maximum notional value of each benefit.

3.18 With respect to the provision of retirement benefits for the civil service, the Official Side said that they regarded retirement benefits as a component part of the total package for both the private sector and the civil service. As such they should be taken into account in a comparison of civil service and private sector total remuneration levels. The Official Side considered that retirement benefits had a salutary effect on the retention of staff and on the maintenance of stability in the civil service. Such benefits also represented social progress, and the Government had been seen to set a good example for the private sector.

#### The Staff Side of the Police Force Council

3.19 In a brief submission to the Committee, the Staff Side of the Police Force Council indicated that they did not accept the results of the survey as having been relevant to the Police as the methodology did not take into account the special features of police work. They also considered that the data base employed was far too small and the pay bands too few.