

The Staff Side of the Model Scale I
Staff Consultative Council

3.20 The Staff Side of the Model Scale I Staff Consultative Council in their submission criticized the job evaluation method for having ignored some important factors such as skills, experience and working conditions, etc.

3.21 The Staff Side considered that the use of maximum notional values in evaluating fringe benefits was biased against the civil service since many civil service fringe benefits were not utilized to their fullest extent because of the low quality or unavailability of the benefits (e.g. dental benefits). There were also stringent eligibility criteria for some benefits (e.g. personal loans) which had the effect of barring a sizeable proportion of the lower paid civil servants from enjoying them.

3.22 The Staff Side were of the view that pension benefits should not be included in the valuations because if a civil servant left the service before retirement age, he would not be granted any retirement benefits under the terms of the old pension scheme which was in effect at the time of the 1986 Pay Level Survey. As for death and disability benefits, the Staff Side considered them to be mere variations of retirement benefits and that they should therefore also be excluded.

3.23 The Staff Side also felt that there were some fringe benefits in the private sector which had not been included in the valuations. These included priority allocation of new flats on sale, purchase discounts and subsidized utility charges, etc.

3.24 In determining pay policy for civil servants, the Staff Side considered that the following factors should also be taken into account :-

- (a) restrictions on making public speeches;
- (b) restrictions on participation in politics;
- (c) restrictions on making loans;
- (d) restrictions on making investments;
- (e) restrictions on travelling; and,
- (f) the obnoxious or even dangerous nature of certain jobs (e.g. hawker control and police work, etc.)

Other Members of the Civil Service

3.25 The submissions made by other members of the civil service (including staff and departmental management) generally challenged the findings of the pay level survey. The views expressed were in the main similar to those put forward by the Staff Side. There was a general feeling that civil service benefits had been inflated as a result of using maximum notional value in assessing fringe benefits. In some submissions it was claimed that not all benefits in the private sector had been fully taken into account and that private sector employees enjoyed more flexibility in their pay package.

3.26 Some claimed that the salaries for certain grades were well below those prevailing in the private sector. It was suggested that the pay package of civil service grades should have regard not only to private sector practice but also the need to combat the problem of the brain drain. There was one suggestion that pay level comparisons should be conducted annually.

The Secretary-General of the Standing Commission
on Civil Service Salaries and Conditions of Service

3.27 The Secretary-General, in his written response to the points made by the Staff Side in their opening

submission, said that the Standing Commission was an independent body appointed by the Governor to advise on civil service pay and conditions of service. In conducting the 1986 Pay Level Survey, it had had to ensure that the exercise was, and could be seen to be, carried out independently. For this reason neither the Staff Side nor the Administration was accorded access to the Pay Level Survey Steering Group.

3.28 The Secretary-General said that the Standing Commission took care to consult all interested parties through the Pay Level Survey Advisory Committee in order to take account of their views at every stage during the survey. The findings of the survey and Hay's report in its preliminary form had also been discussed with the Staff Side before the Standing Commission submitted its final report on the survey to the Governor. Throughout the survey the Standing Commission bore in mind its role as an independent advisory body and exercised its best judgement on each issue of contention. Each was considered on its own merits and in quite a number of cases, the recommendations made by the staff associations were accepted. On the other hand, the Standing Commission had rejected various suggestions made by the Administration and private sector organizations.

3.29 In oral evidence the Acting Secretary-General said that ideally pay level surveys should compare like with like and that results from surveys based on job-for-job comparisons should be more acceptable to the parties concerned. In the context of the 1986 Pay Level Survey, the Commission concluded that the diversity of jobs in the civil service made it difficult to find exact analogues in the private sector. In these circumstances the Hay method of factor comparison was considered the best choice available.

Private Sector Organizations

3.30 Three submissions were received from the private sector. They expressed the view that the results of the pay level survey were broadly correct. They agreed with the findings that the total pay package of most civil servants was better than that of private sector employees.

3.31 The Hong Kong Institute of Personnel Management considered that the survey used a method which was about as accurate and objective as any system could be and had produced reliable results in many other situations around the world. Two explanations for the survey's finding that total civil service remuneration was above the private sector Upper Quartile were offered. These were :-

- (a) the relatively low labour turnover within the civil service resulted in staff moving higher within their pay scales than would occur in a high turnover environment; and,
- (b) year by year the civil service had been awarded pay increases that were higher than in the private sector by about 2% per annum. The cumulative effect of this process over a number of years was to place average salaries in the public sector appreciably higher than those in the private sector.

3.32 The Chinese Manufacturers' Association of Hong Kong, which had participated in the Pay Level Survey Advisory Committee, believed that the survey methodology was satisfactory although they felt that more manufacturing establishments and small-size businesses should have been included in the survey field. They also thought that the consultants had done their best in conducting the survey.

3.33 The Hong Kong Management Association suggested that the civil service had been leading the private sector

in pay and fringe benefits notwithstanding the fact that in general short-term incentives should be greater in the private sector to compensate for the lack of job security.

The Controller of the Pay Investigation Unit

3.34 We invited a past Controller of the former Pay Investigation Unit to give evidence relating to the pay level surveys (i.e. occupational class surveys) which were conducted by the Unit between 1972 and 1978.

3.35 The Controller informed us that he had carried out pay level surveys of the Executive and Secretarial Classes at that time. The terms of reference of these surveys were general in nature and the task was to establish the rate of pay for Executive Officers and Secretarial Grade staff. The methodology involved drawing up job descriptions for the civil service posts and matching these against comparable jobs in the private sector. He had encountered no serious difficulties in conducting these surveys.

3.36 The Controller said that in pay level surveys an element of trust among concerned parties was important. He said that whereas staff would prefer the survey to be undertaken by civil servants rather than consultants, the

private sector might not trust the results of surveys carried out by civil servants. He said that the method for quantifying jobs had always been disputed but had been agreed after consultation with staff. Staff participation was important also in respect of the determination of the survey field and the selection of jobs for comparison. In the past staff associations were involved in the civil service side of job surveys.

Hay Management Consultants

3.37 In a letter to the Committee responding to the points made in the Staff Side's Opening Submission, Hay Management Consultants informed us that the Hay system was used extensively in central, state and local governments in Australia, Canada, the United Kingdom and the United States. Trade union representatives had used the Hay system as the basis for annual pay award negotiations in many countries and in some instances had adopted the system to evaluate the jobs of their own staff.

3.38 Hay pointed out that the objective of the 1986 Pay Level Survey was to examine whether the remuneration of civil servants was broadly in line with those of the private sector counterparts at the time of the survey. The objectives and methodology were not intended to address

structural issues of the civil service. Therefore even though Hay discovered some internal relativity issues within the ranks of the civil service, the findings of the survey were not thereby invalidated.

3.39 Regarding the controversial methodology for the evaluation of benefits, Hay said that it was initially designed by Towers, Perrin, Forsters and Crosby Inc. and agreed by the Standing Commission. Hay had not been invited to comment on the methodology as this was not in their terms of reference.

3.40 Hay said that in their opinion the final methodology, which had taken into account the input from the Staff Sides, was as fair as possible to civil servants. Hay were able to obtain copies of employees' terms and conditions of service from most companies and these, coupled with information obtained from Managing Directors and Personnel Managers, enabled them to calculate as nearly as possible the value of benefits. Hay considered that to have adopted the actual utilization and actual value of each individual benefit could possibly have led to a degree of inaccuracy in some private sector calculations because they would not have been able to check the completeness and accuracy of all employee details.

3.41 Hay also answered point by point the comments made by the Staff Side in their Opening Submission.

3.42 In oral evidence Hay explained why, in a letter to the Chairman of the Pay Level Survey Advisory Committee dated 9 January 1987, they had stated that a survey of pay levels did not and should not determine remuneration policy. Hay said that according to the original statement of objectives, they were commissioned to conduct a pay level survey covering all staff in the civil service below the directorate level. The aim was to assess whether or not the present remuneration of the civil service below the directorate level, including both salaries and fringe benefits, was broadly in line with that of employees in the private sector doing comparable work. They were required to make broad comparisons and were therefore not required to look at individual jobs. If Hay had been asked to compare individual civil service grades with suitable private sector analogues, they would have used a different approach. Because the comparisons were done in a broadbrush manner and because the survey only captured the situation at a particular time, Hay did not consider it appropriate to use the findings to determine the pay of individual civil service grades, especially in the context of the volatile labour market in Hong Kong.