

CHAPTER IV : THE 1986 PAY LEVEL SURVEY

4.1 In view of the survey results set out in paragraphs 2.16 - 2.17 it is not surprising that the 1986 Pay Level Survey should have provided the basis for increasing the pay of Model Scale I staff (by an effective 11%) but did not lead to a settlement for any other grades. The problem was the more acute because the figures produced by this admittedly broadbrush survey were widely regarded as exact indicators of what the civil service pay levels should be. Both the civil service and the general public had long been accustomed to the concept of precise pay indicators and the results of the pay level survey were interpreted by many in a similar manner.

The Pay Comparisons

4.2 The methodology adopted by the consultants chosen to conduct the survey, Hay Management Consultants, was the well known "factor comparison" method. This involved the selection of a representative sample of civil service jobs which was compared with a similarly representative sample of jobs in the private sector survey field. In each job surveyed, three common factors were used to measure the job

weight - "know-how" (knowledge required to do the job), problem-solving content and accountability. The job was analysed by reference to the three factors to which "points" were assigned. The content of different jobs in the civil service and in the private sector was then compared on the basis of the total scores assigned to each job. By applying the result to the respective pay levels and averaging it for each civil service salary band, the overall pay conclusion was reached.

4.3 The most important criticism of this methodology, strongly pressed by the Staff Side, is that it does not establish true comparability because it does not rest upon detailed comparisons of similar jobs. They argued that the factor comparison method was highly subjective, was prone to error and open to manipulation. Moreover, the three factors used were not appropriate for all jobs alike and began to lose meaning at the lower pay levels. They also ignored working conditions.

4.4 We doubt whether anyone would disagree that job-for-job comparisons, if they are feasible and are properly conducted, provide a much more accurate basis for pay level comparisons. Factor-based comparisons, as we understand them, are not intended to be more accurate than job comparisons but to provide an alternative methodology

where like cannot be compared with like. Some hold that factor-based comparisons are most useful when used within an organization for helping to establish internal pay relativities. It may well be that they succeed best within the framework of knowledge and experience which a single company can provide. They may be rather less reliable for the purposes of comparing jobs in different organizations where such a framework is absent; still less when the comparisons are between such different areas as civil service and private sector; and even less in economies such as Hong Kong's where the differences between the two sectors are particularly marked.

4.5 In our view it would be wrong however to draw a more definite conclusion than that, where feasible, job comparisons are preferable. The system used by Hay is of long and respectable standing. International consultants of such repute must be trusted to know and to have confidence in what they are doing. We do not think therefore that the absence of job comparisons itself invalidates the results of the survey though it may diminish their persuasiveness and necessitate particular care in the use of the survey data to reach a settlement.

4.6 We have scrutinized, so far as we have been able, the detailed results of the survey and can find no inherent

contradictions or improbabilities. If anything, there is a consistency of detail which suggests that the general tenor of most of the conclusions cannot readily be challenged.

4.7 There are of course points of methodology which are open to question. We think that the use of gross earnings may distort the true picture since it does not take account of relative experience levels. We were given to understand, for example, that in the private sector most employees were below the mid-point of their salary range, while in the civil service most were above the mid-point of their scale - thus suggesting greater experience in the civil service. The use of gross earnings could also be said to include elements which are not strictly relevant to a true comparison and distort the result. There is the inherent difficulty of applying an average pay adjustment for a whole band in order to produce a fair comparisons rate for individual civil service grades.

4.8 Our conclusion however is that when due allowance is made for the extent to which any biases in a survey will have tended to cancel each other out, the degree of self-consistency in the evidence, the authority of such an experienced consultant and the magnitude of the pay level differences indicated, there must be a reasonable

presumption that the broad thrust of the results (though not necessarily the various quantities indicated) reflected something like the actual position.

Fringe Benefits

4.9 The methodology used for evaluating fringe benefits was devised by the Pay Research Advisory Committee, taking account of recommendations by the consultants, Towers, Perrin, Forster and Crosby Inc. and modifications proposed by the Administration. The methodology was prescribed to Hay by the Standing Commission. The Staff Side attacked its results on three main counts. They contended that :-

- (a) the use of maximum notional value and maximum utilization to calculate benefits was biased against civil servants;
- (b) Government-owned quarters and private tenancy allowances were overvalued; and,
- (c) civil service pensions were overvalued.

4.10 Before we consider these points there are some general observations to be made. The Government's express policy is that civil service pay and fringe benefits, taken together, should be broadly equivalent in value to those provided by the private sector. This principle does not require any equivalence of individual benefits between the two or any particular proportional value between pay and fringe benefits. Indeed it is to be expected that the fringe benefits of civil servants will reflect their own situation which in many ways is quite unlike that of private sector employees.

4.11 It is argued that fringe benefits should be tailored more to match the needs of employees as they themselves perceive them. But the employer also has a legitimate interest. He may, for example, want his employees to take adequate leave in order to maintain efficiency. Government as employer may want to set an exemplary pensions standard for social policy reasons. It may be true that civil service benefits are comparatively inflexible; and they certainly cannot be traded for cash. It is also possible that, given a free choice, a civil servant might choose a different type of benefit (either cheaper or more flexible) than some of those now available to him. But these are not reasons for omitting the value of existing benefits from a pay level survey. If there is

a lack of flexibility in civil service fringe benefits compared with those in the private sector, then to the extent that this is agreed to constitute a minus factor on the civil service side of the comparison, it should be taken into account when other unquantifiable factors (both plus and minus) are considered after the completion of the survey.

4.12 The above considerations make it the more important to ensure that, within the concept of the total pay package, the evaluation of particular fringe benefits should be as fair as possible. In the evidence we heard we found no particular enthusiasm for the concept of maximum notional value. Its virtue seemed to be simply that it is technically easy to apply whereas it might be difficult, in some cases impossible, to make the necessary calculations based on utilization and value to the employee. We are however in no doubt that the use of maximum notional value and maximum utilization can produce overvaluation for the purposes of a pay level survey. Where there is a difference in the value of benefits between the public and private sectors, as in the case of Hong Kong, maximum notional value and maximum utilization taken together will exaggerate that difference. This is because the system inflates the percentage compensation in both sectors producing a bias against the sector with the higher valued benefits.