

Pensions

5.33 There is no doubt in our mind that the value of pensions should be taken into account in the calculation of the total civil service pay package at their actuarial value. In this connection, account should be taken of the introduction of the new pension scheme which is applicable to people joining the civil service today.

5.34 Various arguments have been advanced for discounting the value of civil service pensions, e.g. their inflexibility in comparison with comparable benefits in the private sector; the fact that they may be lost if a civil servant resigns before completing the requisite qualifying period and even when earned are not payable until retiring age; their salutary effect on the retention of staff and thus on the maintenance of the stability of the civil service. And there is the point made by the Staff Side, and acknowledged by the Official Side, that the comparatively generous civil service pension benefits were intended to set an example to employers generally and are thus an instrument of social progress. We see a degree of merit in some of these arguments. While therefore we believe that there should be no quantified discounting of the value of pensions, we see no reason why these arguments should not be considered, along with other unquantifiable factors, in the post-survey stage.

Medical and Dental Benefits

5.35 The third main area of dispute concerns the value of civil service medical and dental benefits. All concerned were generally agreed upon the principle of adopting the insurance premium for the valuation of medical and dental benefits. The point at issue was whether sufficient account had been taken of the disparity in the quality of services provided in the private and public sector. The Staff Side, and indeed several individual submissions to the Committee, contended that the Government's medical services were unsatisfactory because of the long waiting time for specialist attention, congested government hospitals, the lack of choice in consulting physicians, etc. Many civil servants were said to have resorted to private medical care or to be taking out medical insurance at their own expense. In contrast, it was said that most private sector employees had a freedom of choice of doctors and generally enjoyed more immediate attention for hospitalization.

5.36 As valued by the agreed methodology, medical and dental benefits account for only a minor percentage of the civil service total pay package (ranging from 0.6% to 3.2%) and, except in the case of Model Scale I staff, are appreciably lower than those provided for comparable

employees in the private sector. In some degree, therefore, the results of the 1986 Pay Level Survey must have reflected any disparity in the quality of the service provided. However, we recommend that, in future, any inadequacies in the Government medical services which are not reflected in the survey calculations should be carefully assessed and given whatever weight in favour of the civil service appears to be appropriate when considering the results of the pay level survey.

Other Fringe Benefits

5.37 We consider the range of other fringe benefits covered in the 1986 Pay Level Survey as listed in Appendix 4 to be reasonably complete as a basis for future surveys. Consultation with staff on future pay level methodology should include consideration of which benefits are to be included because they form a quantifiable part of the respective pay package; and which should be excluded because they are either so insignificant on both sides of the comparison that their exclusion is warranted, or because they are unquantifiable, as for example job security.

Frequency of Pay Level Surveys

5.38 We think it essential that pay level surveys

should be "institutionalized" and that they should be mounted with a frequency which acknowledges both the overriding importance of maintaining civil service pay at fair levels, and the ineradicable weaknesses of pay trend surveys as a means of determining civil service pay. In our judgement, the aim should be to mount a pay level survey at intervals of about every three years. This aim should be attainable once a successful first pay level survey has been carried out, and once experience and knowledge of the techniques and the survey fields have been built up.

5.39 We urge that no pay trend survey should be carried out in the year of a pay level survey. It is important to minimize the burden on the surveyed firms. Even more important are the problems which would arise if more or less contemporaneous surveys were to indicate different levels of pay adjustments. Care would have to be taken to arrange that the pay level survey covered the whole year between preceding and succeeding pay trend surveys. It would therefore be necessary to provide for the updating of the pay information by making special arrangements to obtain notification of adjustments made to pay and fringe benefits by the surveyed firms between the date the pay level survey information was collected and the

end of the survey year. It is important that the conduct of a pay level survey should not delay the civil service pay adjustment for the year in which it is held.

Timing of the Next Pay Level Survey

5.40 We believe that a new pay level survey should be conducted as a matter of urgency, particularly in the light of the questions raised by the 1986 Pay Level Survey. A firm date should be set in order to concentrate minds on the objective and the need to achieve it quickly. We therefore suggest that the new pay level survey should be conducted during the 1990-91 survey year so that it can take effect on civil service pay from 1 April 1991; and that it should be understood by all concerned that there will be no pay trend survey in that year. We see no reason why this should not be possible, if necessary with the help of outside consultants, and without sacrificing thoroughness.

The Role of the Pay Survey and Research Unit

5.41 Although it may well be necessary to employ consultants to help set up a pay level survey in 1990-91, we think that the Pay Survey and Research Unit should play a full part in the working out of the detailed methodology

of the survey and in its execution. The aim should be to build up the expertise and capacity of the Unit with a view to their taking full charge of subsequent surveys. The use of the Unit would be likely to reduce the cost of surveys appreciably and would, we think, inspire greater civil service trust in the survey results. We see no reason why public opinion should not equally accept the Unit's effectiveness and impartiality. While it is essential that the Unit should act freely and independently in the actual conduct of a survey, it is accountable for its general standards and conduct to the Standing Commission. Special arrangements will be necessary to ensure for the Unit an adequate supply of competent, trained and experienced staff.

Commitment to the System

5.42 On the assumption that adequate steps are taken to consult the Staff Side on the lines suggested later in paragraphs 5.44 to 5.46, we recommend that both sides should commit themselves in advance to accept the outcome of each pay level survey, i.e. not to challenge the veracity of the pay indicators it produces. This does not of course mean that there should be no further consultation on the use to be made of the indicators.

5.43 Finally it may be as well to state our view that if for any reason the attempt to set up and carry out a pay level survey based on job comparisons should fail (and we see no reason, given goodwill on all sides, why it should), it would still be as important as ever to test civil service pay levels. In such an eventuality we would regard a repeat of the 1986 survey, based as then on a points/factor system, but with a modified methodology and greater Staff Side participation, as an acceptable but second-best alternative.

Consultation

5.44 As we have said more than once in this report, it is essential for the success of any system based on pay level surveys that both the Official and Staff Sides should have confidence in the survey methodology and its execution. That confidence can only be created by full consultation stage by stage wherever it is appropriate and feasible. A pay level survey cannot however be a joint operation throughout. For example, surveyed firms are unlikely to agree to Staff Side representatives taking part in the outside field enquiries; these are best undertaken by an independent investigator accepted as objective by all concerned. More generally, the executive responsibility for a survey cannot sensibly be shared; and again it should

be in the hands of a single impartial agent, whether consultants or a pay research unit.

5.45 We do not think it would be proper for us to suggest in detail what procedural steps will be necessary to ensure an adequate degree of consultation in a future survey. It may however be helpful if we describe the main areas in which consultation is both practicable and necessary :-

- (a) in the choice of the survey strategy and the main points of methodology to give effect to it. If consultants are employed, this means in practice associating the Staff Side in the drafting of the survey specification and in the choice between the schemes put forward by consultants in their tenders;
- (b) in the selection of a representative sample of civil service posts for comparison purposes; and,
- (c) in the methodology to be used to identify and evaluate jobs in the

surveyed firms; and to identify and present the necessary information about the pay and benefits of the analogue posts.

5.46 Increased consultation must not be allowed to lead to interminable arguments which threaten the survey timetable and ultimately, perhaps, its very existence. The executive responsibility for the conduct of the survey must remain with the consultants or Pay Survey and Research Unit and that must take first place. The Standing Commission and any special machinery which may be set up in future to smooth the path of a survey will have their parts to play in observing the timetable and when necessary foreclosing debate. Within this framework the aim must be to proceed by consultation and agreement whenever possible. We think that, with the Hong Kong tradition of consensus in such matters, this will normally be possible especially if consultation is carried out in such a way that all parties, but especially the Staff Side, are made to feel that their point of view has been aired, understood and appropriately answered.