

Internal and External Relativities

6.21 The Staff Side have suggested that pay increases attributable to internal and external relativities (non-general pay increases arising from the need to adjust the pay of a particular job or jobs) should also be included in the pay trend indicators on the grounds that they are difficult to distinguish from pay increases reflecting general market rates. In our Interim Report we reached the conclusion that these increases should continue to be excluded from calculation of the pay trend indicators. They are not part of general pay increases and their inclusion would involve taking account of individual grade pay adjustments in the civil service, which are also at present excluded from the calculation. The inclusion of adjustments for internal and external relativities on both sides of the equation would lead to distortions in the indicators in either direction whenever any major restructuring occurred. The recent adjustments to the pay of the Disciplined Services are a case in point.

6.22 We see no reason to change this view. However, as we said in our Interim Report we accept that sometimes pay increases for internal and external relativities within a single company may be difficult to distinguish from general pay increases. When there is reasonable doubt

about the correct classification of pay increases under this heading and where their exclusion would materially depress the pay trend indicators, the Staff Side should be entitled to seek an explanation of any unusual level of increases under this heading and, if they are dissatisfied with that explanation, to request that the company concerned be omitted from the calculation of the pay trend indicators in that particular year.

Promotion and Transfer

6.23 We expressed the view in our Interim Report that, as with internal and external relativities, pay increases arising from promotions and transfers should continue to be excluded from the pay trend indicators. Promotions and transfers produce one-off payments which have nothing to do with general pay awards. To include such increases in the pay trend indicators would distort the results which are designed to show the general movement in pay. We continue to take this view.

6.24 We are fully aware of the Staff Side's doubts about the genuineness of all the reported promotion cases and of their proposal to restrict the increases under this heading to those cases in which an individual takes on a new job with increased responsibility and the vacated post

is filled by another person. While we agree that promotions should normally comply with this definition, we still consider that genuine promotions may occur as a result of restructuring within an organization, and these would not be covered by the definition. However, we think it would be sensible, simply in order to increase the Staff Side's confidence in the indicators, to convey the above definition to the surveyed companies as being the standard assumption for survey purposes. Where it is found that promotions or job reclassifications have been given to unusually large numbers of staff then, as with internal and external relativities, it should be open to the Staff Side to request and be given an explanation for any apparent departure from the definition and, if they are not satisfied, to request that the company concerned be excluded from the calculation of the pay trend indicators.

6.25 We would also repeat from our Interim Report our firm view that in relation to the interpretation of data the Staff Side should be given the right to seek clarification and, wherever possible, be supplied with an explanation for any deviation from the definition of these categories of pay adjustments. The fact that the Staff Side have agreed to the methodology for a particular survey does not, in our opinion, mean that they should be bound inflexibly by the results. Some degree of flexibility in

interpretation may be needed if the survey data cannot be clearly reconciled with the spirit of the agreed methodology. Indeed both Sides may wish to have room for manoeuvre in such circumstances. At the same time it is important to exercise commonsense and goodwill in treating the survey data.

Survey Field

6.26 The Staff Side have expressed concern about the shortage in the survey field of jobs comparable to jobs paid from the upper pay band in the civil service and have proposed that the survey field should be expanded. As stated in our Interim Report, we are of the view that if suitable companies willing to participate in the pay trend survey can be found, there is no reason why the Staff Side's request should not be met.

6.27 We also think that the reason for not including some public utilities in the survey field (because the Government pay award was the main factor in determining their own pay) may no longer be valid today. From the evidence presented to us it is clear that some public utilities have already departed from this policy. We were also told that multi-national companies generally follow local pay practices, at least in so far as the level of

staff covered by the pay trend survey is concerned. These areas may therefore provide useful scope for additions to the survey field. We would only add that any additions should be made after consultation with the Staff Sides.

Salary Bands

6.28 The Staff Side have suggested an increase in the number of salary bands. The Model Scale I Staff Side have also proposed changes in the salary bands. Our view was, and remains, that these matters might best be considered by the Pay Trend Survey Committee. We would however repeat the point made in our Interim Report that an increase in the number of salary bands may lead to more variations in the pay trend indicators and should therefore be subject to the acceptance by staff representatives that on occasions indicators may need to be rounded down as well as up to smooth out pay adjustments. A further point is that additional bands could lead to a reduction in the field of jobs among the surveyed companies for some bands and so result in inadequate data for the pay trend indicators. We therefore suggest that any proposal to increase the number of bands in this context be approached with caution. This does not mean that such proposals should not be considered nor that the points at which the lines for the bands are drawn should not be reviewed in the light of changing circumstances.

Industrial Weighting

6.29 At present, the data obtained from each company in the survey field are adjusted by the application of industrial weighting to reflect the major categories of employment in Hong Kong, as classified by the Census and Statistics Department. This adjustment is meant to make up for the fact that the distribution of companies in the survey field does not represent the actual distribution of Hong Kong's workforce by major economic activities.

6.30 The Institute of Personnel Management in its submission to us suggested that the practice of industrial weighting is statistically unsound. We have raised this point with the Census and Statistics Department who have also advised that the theoretical basis for applying industrial weighting may not be entirely valid. This is because, as pointed out by the Institute, employment statistics collected by the Census and Statistics Department include establishments not covered in the pay trend surveys. Adjustments through statistical means are not possible since the companies in the survey field are not chosen at random. We therefore recommend that the practice of applying industrial weighting to the pay trend indicators should be discontinued.

Conclusion

6.31 We believe that our proposals for the future conduct of pay trend surveys and the interpretation of the results should provide a satisfactory basis for civil service pay adjustments in the years between pay level surveys.

6.32 We have recommended that the Staff Side should be entitled to suggest the exclusion of firms from the calculation of pay trend indicators in certain circumstances (paragraphs 6.22 and 6.24) and that there should be room for flexibility in the interpretation of data (paragraph 6.25). We do not however think it appropriate to talk about "powers of veto" when views differ. We do believe that if disputes are to be avoided in future, there is a need to take account of the reasonable views of the Staff Side wherever possible; and that in turn the Staff Side have a responsibility, which we are sure they recognize, to work within the spirit of the system with moderation and restraint.