

CHAPTER III : EVIDENCE

3.1 None of the submissions which we have received has suggested abandoning the pay trend survey system. As the Staff Side put it to us in oral evidence no one as yet has been able to devise a better system on which to base annual pay adjustments for the civil service. The principal submissions to us have centred on the defects, which are perceived in the pay trend survey methodology and on the level of the 1988 civil service pay adjustment deriving from that methodology. The following is a brief summary.

The Staff Side of the Senior Civil Service Council

3.2 The Staff Side provided us with a comprehensive written opening submission. The main points made were :-

- (a) the arrangements whereby private sector pay increases attributable to merit, promotion, transfer and internal and external relativities are excluded from the calculation of the pay trend indicators, provide scope for reporting

awards in a way which minimizes their effect on the annual civil service pay adjustment. It was suggested that the surveyed companies were tending to attribute a greater proportion of their pay increases to merit payments and that an increasing number of companies were introducing merit payment schemes;

- (b) while the principal problem was seen as the exclusion of merit payments, it was felt that similar problems could arise from the exclusion of increases for promotion and transfer and from adjustments for internal and external relativities. It was pointed out that it was possible to give increases by way of promotion without there being any change in an employee's job. As regards internal and external relativities the main concern was the possible blurring of the distinction between "general increases in market rates" which are included in the pay trend indicators and "external relativities" which are not. It was

considered that there was a need for a clearer definition of the elements excluded from the calculation of the pay trend indicators; and

- (c) the present survey field was regarded as unsatisfactory since the surveyed companies have few jobs comparable to jobs in the civil service paid from the upper salary band. It was considered that there should be more salary bands.

3.3 The Staff Side commented on the idea that the civil service pay adjustment should be made on the basis of the gross pay trend indicators; i.e. that increases for merit, in-scale increments and internal and external relativities should be included in the calculation of the pay trend indicators and that these should be discounted by the percentage value of civil service increments on the ground that civil service increments were somehow related to merit payments in the private sector. They considered that civil service increments should not be equated with merit payments. They see civil service increments as a reward for experience and as compensation to civil servants for their limited promotion prospects. The top

of the scale is regarded as the rate for the job. The Staff Side suggested that both the net and gross pay trend indicators should be published and used as a basis for the negotiation of the annual civil service pay adjustment.

3.4 The Staff Side also provided information, based on figures produced by the Finance Branch and the Census and Statistics Department, suggesting that earnings for civil servants have since 1980 fallen behind those for employees in the private sector.

3.5 The Staff Side elaborated these points in oral evidence. They said they had lost faith in the present pay trend survey system, because their concerns and suggestions were largely ignored and they were insufficiently involved in the pay determination process.

The Official Side of the Senior Civil Service Council

3.6 In their written submission the Official Side informed us that there was no evidence to support allegations that the information collected from the companies in the survey field was inaccurate. Therefore to alter the pay trend indicators obtained in accordance with the agreed methodology in deciding on this year's pay

award would be unacceptable. On the other hand, they recognised that while the pay trend survey system had worked well over the years, there was scope for refining the methodology for future surveys. In particular, they considered the total exclusion of merit payments from the calculation of pay trend indicators was worthy of re-examination. They advised that the Government would be prepared to consider any refinement to the present pay trend survey system which would reconcile civil service in-scale increments with private sector merit payments.

3.7 The Official Side also developed their submission in oral evidence. They again stressed that there was no evidence to suggest that the surveyed companies had reported pay increases other than in accordance with their standard pay practice. It was considered that in any private survey of this kind, an element of trust was essential.

3.8 It was confirmed that civil service in-scale increments were now awarded virtually automatically and were withheld only on disciplinary grounds. Increments were provided to recognise experience and the salary points on a pay scale for a particular rank represented the range of pay for that job.

3.9 As regards the Staff Side's claim that gross pay for the civil service was falling behind that in the private sector, the Official Side thought that the statistics produced in support of this claim were inconclusive. Different results would have been obtained had regard been had to manpower strength rather than "establishment" and if a different base year been used.

3.10 The Official Side considered that although there was dissatisfaction over the level of the pay adjustment for 1988, civil service morale did not seem to have been noticeably affected. Moreover, wastage was not considered to be a major problem at present, although there were recruitment and retention problems in some grades.

The Staff Side of the Police Force Council

3.11 In a brief submission to the Committee, the Staff Side of the Police Force Council indicated support for the Staff Side of the SCSC in their rejection of the 1988 pay adjustment and claim for a better award. They considered that more of the elements in private sector pay increases should be taken into account.

The Staff Side of the Model Scale I
Staff Consultative Council

3.12 The Staff Side of the Model Scale I Staff Consultative Council in their submission indicated support for the retention of the existing pay trend survey system which they thought should continue to be conducted by the Pay Survey and Research Unit.

3.13 The Staff Side were of the view that the lack of a clear definition of merit payments had led to incorrect information being gathered for the calculation of the pay trend indicators. In particular, it was felt that where a company made merit payments to 90%, or almost all of its staff, the true merit element of such payments was questionable.

3.14 The Mod I Staff Side's views on civil service in-scale increments were similar to those held by the Staff Side of the SCSC. In addition, they suggested that, since they considered the top of the pay scale to be the rate for the job, every civil servant should be paid at the top of his scale, and that a long service increment scheme should be introduced to enhance staff morale.

3.15 In the longer term, the Mod I Staff Side preferred to use the gross pay trend indicators for determining civil service annual pay adjustments. They felt that these indicators should include all factors except promotion and transfer.

3.16 The existing pay bands were considered to be inadequate and the Mod I Staff Side suggested that they should be expanded from three to four by breaking the middle band into two bands and extending the lower band.

3.17 As regards the 1987-88 pay trend indicators, the Staff Side held that they were inconsistent with published information on GDP growth, average wage increases and the unemployment rate.

3.18 The above points were elaborated further in oral evidence by the Staff Side.

Other Members of the Civil Service

3.19 The submissions made by other members of the civil service (including staff and departmental management) generally expressed dissatisfaction over the level of the 1988 pay adjustment. Many suggested that the "merit payment" data had been distorted by the surveyed

companies to disguise general pay increase. It was proposed that gross pay trend indicators should be used in the future.

3.20 Some suggested that merit in the private sector could be recognised by more flexible systems of promotion or regrading which would not be reflected in the pay trend indicators because of their exclusion from the computation of general rates of pay increases. Many believed that the private sector had awarded higher pay increases than that revealed by the pay trend indicators (figures of between 10% and 18% were quoted). As one writer put it :

"The findings of the 1987-88 Pay Trend Survey were inconsistent with virtually all other relevant information available, and in particular, the published data of the Census and Statistics Department on GDP, trade, payroll, wage rates, inflation and unemployment".

The Controller of the Pay Survey and Research Unit

3.21 The Controller of the Pay Survey and Research Unit (PSRU) assured us in oral evidence that the suggestion that the data collected in connection with pay

trend surveys had been manipulated was not borne out by his own experience. Contrary to the Staff Side's belief, the number of surveyed companies awarding merit payments and the size of these payments had remained fairly constant over the last four years. He was satisfied that all merit payments and promotions and transfers had been made in keeping with the past pay practice of the companies concerned.

3.22 As regards the private sector's approach to merit payments, we were told that in some companies it was the practice to set aside a certain amount of money in their budget for merit payments and that this sum would then be shared out amongst deserving employees.

3.23 The Controller felt that there might be difficulties in trying to obtain more detailed information on merit payments from the surveyed companies. It was considered that to redefine merit increase would give the impression that particular pay practices were being urged upon the surveyed companies.

3.24 As regards the suggestion to increase the number of salary bands, the Controller considered it would be technically feasible provided that more companies with employees at the appropriate salary levels were included in the survey field.