

For information

## **LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE**

### **Written response to the motion concerning the appointment of consultant for the pay level survey for the civil service**

#### **Introduction**

At the meeting of the Panel on Public Service held on 21 November 2005, Members passed the following motion –

“That this Panel urges the Civil Service Bureau to accept the general request of civil service organizations to replace Watson Wyatt Hong Kong Limited, the Phase Two Consultant for conducting the pay level survey for the civil service.”

2. This paper sets out the response of the Civil Service Bureau (CSB) to the above motion and the follow-up actions that the CSB has been, and will be, taking to address the concern expressed by some staff bodies in this regard.

#### **Appointment of the Phase Two Consultant**

3. The procurement of consultancy service is governed by the Stores and Procurement Regulations, which seek to ensure the integrity and impartiality of the procurement process. In the selection and appointment of Watson Wyatt Hong Kong Limited (Watson Wyatt) as the consultant for conducting the pay level survey for the civil service (the Phase Two Consultant), the CSB had followed strictly the established procedures laid down in the Regulations.

4. Apart from following the established procedures, we had taken the extra step of consulting the staff side members of the Consultative Group on Civil Service Pay Adjustment Mechanism (Consultative Group)<sup>1</sup> on the proposed approach for procuring the Phase Two Consultancy.<sup>2</sup> In this

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<sup>1</sup> The Consultative Group comprises the staff sides of the four central consultative councils and staff representatives from the four major service-wide staff unions.

<sup>2</sup> At the 16<sup>th</sup> meeting of the Consultative Group held on 2 March 2005, we consulted staff side members and set out in a paper our proposed approach for seeking professional assistance in conducting the field work of the pay level survey, including the procedure for procuring the consultancy service, the scope of work and timetable of the consultancy, as well as the criteria for assessing proposals to be submitted by consulting firms.

connection, we had consulted the staff side members on, *inter alia*, the criteria for assessing proposals from consulting firms before they were finalised and made known to the consulting firms. Under the principle of fairness and impartiality, these pre-determined assessment criteria could not, and should not, be altered subsequently against a particular consulting firm due to other considerations not previously specified in the assessment criteria.

5. As can be seen from the pre-determined assessment criteria adopted for the Phase Two Consultancy,<sup>3</sup> they are typical criteria for assessing proposals for consultancy of a similar nature. In invitation for similar kinds of consultancy proposals issued by the Government, there is a common requirement that consulting firms submitting proposals should disclose any possible conflict in respect of financial interests and not other aspects. The Phase Two Consultancy was no exception. The question of possible conflict of roles raised by some staff bodies, however, is very different from that of conflict of interests, on which declaration is not required.

6. All the proposals submitted by consulting firms for the Phase Two Consultancy had been assessed in strict accordance with the same set of pre-determined criteria. This is of utmost importance in ensuring the impartiality and fairness of the selection process. Watson Wyatt, which received the highest score after the assessment process, was appointed to undertake the Phase Two Consultancy.

7. We have taken the concern expressed by some staff bodies about the appointment of the Phase Two Consultant seriously. We have since reviewed

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<sup>3</sup> The technical proposals received for the Phase Two Consultancy were assessed based on the following criteria as approved by the Central Consultants Selection Board and stipulated in the invitation for consultancy proposals:

- (a) the approach to be employed by the consulting firm/organisation in providing the consultancy service in terms of –
  - (i) its consistency with the Survey Methodology and its feasibility;
  - (ii) its compliance with, and the allocation of resources to meet, the timeframe for submitting the deliverables; and
  - (iii) the credibility of the survey approach;
- (b) the suitability of the consulting firm/organisation and its Consulting Team in terms of –
  - (i) their experience in, and knowledge of, human resource management matters in the Hong Kong civil service, including the work nature and job requirements of the civil service benchmark jobs;
  - (ii) their experience in, and knowledge of, human resource management matters in the private sector of the Hong Kong SAR, in particular the remuneration practices, pay models and systems as well as the ranking structures of organisations in different parts of the private sector; and
- (c) the quality of the consulting firm/organisation and its Consulting Team in terms of their experience and expertise in carrying out survey or research to collect pay data and information on remuneration practices of private sector companies or organisations in Hong Kong.

the selection and appointment procedures taken. Having consulted the Department of Justice, we are satisfied that there was no impropriety involved in the selection process. There is thus no valid reason to overturn the decision to appoint Watson Wyatt as the Phase Two Consultant, which was taken after a proper, open and fair selection process.

### **Follow-up actions**

8. To address the concern expressed by some staff bodies, we have taken a series of follow-up actions. Some of these actions were indeed suggested by these staff bodies.

9. In respect of survey methodology, the Phase Two Consultant has provided information comparing the methodologies used in the survey it conducted for the Hong Kong General Chamber of Commerce (HKGCC) in 2002/03 and the current pay level survey for the civil service. The information, which has been uploaded onto the CSB website,<sup>4</sup> clearly indicates that the two surveys are vastly different in terms of survey approach and methodology.

10. In respect of the HKGCC survey findings, the Phase Two Consultant has openly clarified that the figure that civil service pay was 229% higher than private sector pay was not adopted as a conclusion of that survey.<sup>5</sup> The most relevant finding from the HKGCC was considered to be that total cash compensation for the civil service was 17% higher than the upper quartile in the private sector.

11. On the question of possible conflict of roles, the Phase Two Consultant has openly confirmed that the HKGCC survey findings will not have any application or effect on the current pay level survey for the civil service. The Consultant has also confirmed that its prior work for any of its clients does not directly or indirectly bind or constrain the company in any manner in its conduct of the current pay level survey for the civil service.

12. We have explained to the relevant staff bodies that the Phase Two Consultancy is merely a fact-finding survey on how civil service pay compares with private sector pay. The survey will be carried out in strict accordance with the methodology carefully devised under the Phase One Consultancy<sup>6</sup> following two years of intensive discussions with the staff side members and

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<sup>4</sup> See webpage at <http://www.csb.gov.hk/hkgcsb/doclib/20050817note.pdf>.

<sup>5</sup> See webpage at <http://www.csb.gov.hk/hkgcsb/doclib/20050817note.pdf>.

<sup>6</sup> In November 2003, we appointed the Phase One Consultant to assist in devising a methodology for the pay level survey in consultation with the staff side members of the Consultative Group and other concerned parties.

further refined in the light of the feedback received during an extensive consultation.

13. We have assured the staff side members of the guiding principle that the pay level survey should be conducted in a professional and impartial manner in order that the survey results will be credible in the eyes of the civil service and the community at large. Since the commencement of the Phase Two Consultancy in June 2005, the Consultant has been taking forward the survey in close consultation with the Consultative Group, Departmental Consultative Committees and all civil service staff unions/associations. The Consultant has also undertaken to carry out its work in a transparent manner. Save where commercially sensitive or personal data is involved, the Consultant intends to keep parties informed of his work at various stages of the exercise.

14. We believe that the above follow-up actions have, by and large, eased the concern of most staff bodies. In the recent round of consultation on the approach for the job inspection process, which is a crucial step of the pay level survey, civil service unions/associations whose grades have been included in the list of benchmark jobs have been closely engaged in, and making contributions to, improving the job inspection process. They are also gearing up for the job inspection process, which will be a large-scale and extensive exercise covering a total of 193 ranks in 61 civil service grades. The Consultative Group, on which the Staff Sides are represented, continues to meet to discuss various issues relating to the improvement to the pay adjustment mechanism. Nonetheless, we appreciate that some staff bodies may continue to have lingering concern over the consultancy. We will continue to work closely with all staff bodies concerned to demonstrate, by act, that the pay level survey will be conducted in a credible and professional manner and that staff's views will be taken into account in the process.

15. We firmly believe that it is in the interest of the whole civil service and the community at large that the results of the pay level survey are credible. We have therefore undertaken to release the final report of the pay level survey, save for commercial sensitive information, when the exercise is completed.

Civil Service Bureau  
December 2005