

For information  
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**LEGISLATIVE COUNCIL  
PANEL ON PUBLIC SERVICE**

**Starting Salaries Survey and Pay Level Survey**

**Purpose**

This paper informs Members of the forthcoming conduct of a Starting Salaries Survey (SSS) and a Pay Level Survey (PLS) in accordance with the Improved Civil Service Pay Adjustment Mechanism.

**Background**

2. The Government's civil service pay policy is to offer sufficient remuneration to attract, retain and motivate staff of suitable calibre to provide the public with an effective and efficient service; and to ensure that civil service remuneration is regarded as fair by both civil servants and the public they serve through maintaining broad comparability between civil service and private sector pay. The policy considerations underpinning the civil service pay policy are set out in **Annex A**.

3. To implement the afore-mentioned civil service pay policy, the Executive Council endorsed an Improved Civil Service Pay Adjustment Mechanism in 2007. We briefed Members on the discussions relating to the formulation of the Mechanism at various meetings from 2003 to 2007. Under the Mechanism, civil service pay is compared with private sector pay on a regular basis through three separate surveys, namely (i) an annual Pay Trend Survey (PTS) to ascertain year-on-year pay adjustments in the private sector; (ii) a SSS every three years to compare the starting salaries of non-directorate

civilian civil service grades with the entry pay of jobs in the private sector requiring similar qualifications; and (iii) a PLS every six years to ascertain whether civil service pay remains broadly comparable with private sector pay. The SSS and PLS were last conducted in 2009 and 2006 respectively. In accordance with the timeframe specified under the Mechanism, the next SSS and PLS are due to be conducted in 2012.

### **Starting Salaries Survey**

4. The last (2009) SSS, covering the basic ranks of non-directorate civilian civil service grades, was conducted by the Standing Commission on Civil Service Salaries and Conditions of Service (the Standing Commission) at the invitation of the Administration. Members were consulted and briefed on the survey findings and the Standing Commission's recommendations on application of the survey findings to the relevant grades in the civil service in March and May 2010. Building upon the successful experience of that survey, we have invited the Standing Commission to conduct the coming SSS and to advise the Administration on how the survey findings should be applied to the basic ranks of non-directorate civilian civil service grades.

5. While the coming SSS, as in previous SSS, will not cover the basic ranks of disciplined services grades, these grades are an integral part of the civil service. The findings of previous SSSs were suitably applied to them upon the advice of the Standing Committee on Disciplined Services Salaries and Conditions of Service (the SCDS). In line with the established practice, upon receipt of the SSS findings and recommendations from the Standing Commission, we will consult the SCDS on whether and – if so – how the survey findings should be applied to the basic ranks of disciplined services grades of the civil service. In view of this, we have suggested to the Standing Commission to suitably engage with the SCDS in the course of its conduct of the coming SSS.

### **Pay Level Survey**

6. The last (2006) PLS, covering non-directorate civilian civil

service grades, was conducted by the Civil Service Bureau with the assistance of a consultant and in consultation with the staff sides. The proposed framework for the conduct of PLS and general principles of application of the findings of this survey had been discussed with staff representatives through the Consultative Group on Civil Service Pay Adjustment Mechanism<sup>1</sup> from late 2003 to 2007. We had also briefed Members on the discussions throughout the process. The findings of the 2006 PLS and the Administration's proposed application to the civil service were submitted to the Standing Commission, the SCDS and the Standing Committee on Directorate Salaries and Conditions of Service (the Directorate Committee) for information and advice. In May 2007, Members were briefed and consulted on the 2006 survey findings and their application to the civil service, as well as the general framework for the conduct of future PLS and the general principles of application of findings of such surveys.

7. With a view to enhancing the credibility of the PLS and having regard to the Standing Commission's rich experience in the conduct of surveys on private sector pay-related matters and its profound knowledge about the civil service, we have also invited the Standing Commission to conduct the coming PLS covering the non-directorate civilian grades of the civil service, as well as to advise the Administration on how the survey findings should be applied to the non-directorate civilian grades of the civil service. We have informed the Standing Commission of the general framework for the conduct of PLS and the general principles of application of PLS findings to non-directorate civilian grades of the civil service (as summarised in **Annex B**) which were drawn up in the light of the experience of the 2006 PLS. This notwithstanding, in order not to undermine the independence of the Standing Commission, we have made it clear that it may modify the general framework and the general application principles as it sees fit.

8. Upon receipt of the PLS findings and recommendations from the Standing Commission, we will consult the SCDS and the Directorate Committee on whether – and if so – how the survey findings should be applied to the disciplined services and directorate grades respectively.

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<sup>1</sup> The Consultative Group on Civil Service Pay Adjustment Mechanism comprises the staff sides of the four central consultative councils and representatives from the four major service-wide staff unions and associations.

In view of this, we have also suggested to the Standing Commission to suitably engage with these two advisory bodies in its conduct of the coming PLS at suitable junctures.

### **Staff Engagement**

9. Staff engagement is crucial to the conduct of pay-related surveys. The Consultative Group on Civil Service Pay Adjustment Mechanism was consulted and supported the Administration inviting the Standing Commission to conduct the coming SSS and PLS and to advise on the application of the survey findings to the relevant grades in the civil service. In expressing this support, they requested that the Standing Commission should consult and engage with the staff sides during the preparation and throughout the conduct of the coming surveys. We have accordingly relayed this sentiment in our invitation to the Standing Commission.

### **Standing Commission's Response**

10. The Standing Commission has accepted the Administration's invitation to conduct the coming SSS and PLS and to advise how these survey findings should be applied to non-directorate civilian grades in the civil service. Given the different scope and levels of complexity of the two surveys, it will conduct the SSS and the PLS as two separate exercises, with a view to completing the former survey earlier. Recognising the importance of consultation with relevant stakeholders, including staff representatives, it will consult and engage with them at various key stages of the surveys. In addition, it will suitably engage with the SCDS and the Directorate Committee in the conduct of the surveys.

### **Way Forward**

11. The Administration will make available sufficient financial and manpower resources to the Joint Secretariat for the Advisory Bodies

on Civil Service and Judicial Salaries and Conditions of Service to support the Standing Commission in conducting the coming SSS and PLS.

12. Upon receipt of the findings of the coming SSS and PLS and the recommendations of the Standing Commission, the SCDS and the Directorate Committee on application of the survey findings to the civil service, we will consult the staff sides on the recommendations of these advisory bodies. Their views will be taken into full account when advice from the Executive Council is sought on the recommendations of the three advisory bodies.

### **Advice Sought**

13. Members are invited to note the contents of this paper.

Civil Service Bureau  
February 2012

## Policy Considerations Underpinning the Civil Service Pay Policy

The civil service pay policy is underpinned by the following policy considerations -

- (a) Upholding the core values of the civil service: Civil servants are required to uphold certain core values, including (i) commitment to the rule of law, (ii) honesty and integrity, (iii) accountability for decisions and actions, (iv) political neutrality, (v) impartiality in the execution of public functions, and (vi) dedication, professionalism and diligence in serving the community through delivering results and meeting performance targets. Some, if not all, of these core values are also applicable to the private sector, but the degree of importance attached to their faithful adherence may differ between the civil service and the private sector. Generally speaking, civil servants are subject to higher integrity expectations and very stringent rules on conduct and avoidance of real or potential conflicts of interest;
- (b) Maintaining the stability of the civil service: A stable, permanent civil service is important to ensure the smooth running of the Administration and the efficient delivery of public services without disruption. That is not to say the civil service pay system should not be reviewed and revised from time to time if justified to take into account changes in the society and community expectations. However, the elements of certainty, stability and gradual changes after thorough staff consultation feature more prominently in the civil service than in the private sector;
- (c) Comparing with the private sector but also recognising the inherent differences between the civil service and private sector: As the Government has to compete with the private sector for persons with suitable calibre to join and stay in the civil service, it has to have regard to the pay levels in the private sector. Comparability with the private sector is necessary and

appropriate. Comparability also satisfies the public, who pay the bill, that civil service pay is fair. Because of the inherent differences between the civil service and the private sector, broad (rather than strict) comparability is appropriate. Accordingly, pay level surveys are to be done in a broad-brush manner and the application of the survey results has to take into account differences in the nature and requirements of jobs in the civil service and the private sector. Other than the differences stated in items (a) and (b) above, the other more significant differences include –

- (i) certain jobs are unique to the civil service (e.g. law enforcement, law drafting, rescue work, etc.), making it impossible to identify appropriate private sector comparators for a direct comparison with each and every civil service grade and rank;
- (ii) where reasonable private sector comparators are found, certain functions and conditions of work are still unique to the civil service (e.g. formulating policies, regulations or laws for territory-wide application; explaining government policies; lobbying support for government policies from concerned stakeholders, political parties, District Councils, Legislative Council, etc.);
- (iii) career progression in the civil service tends to be more structured and progressive. In addition to meritocratic consideration, the need to maintain the stability of the civil service also requires greater importance to be accorded to seniority and experience in the civil service than in the private sector. Resignation is rare, which contributes towards maintaining the stability of the civil service. Career progression in the private sector is generally more varied and more influenced by market conditions, including the prevailing manpower supply and demand in the required areas of expertise. There is a greater propensity to change jobs and/or employers in the pursuit of career progression, resulting in a much greater turnover

in the private sector;

- (iv) nature of operation of the Government and the private sector is very different. For example, the Government places emphasis on public well-being and the overall interest of the community, while the private sector is driven by the interest of shareholders and profit-making motives. Necessarily, private sector pay is susceptible to more volatile fluctuations which, if mirrored closely in the pay for the civil service, would not be conducive to maintaining a stable civil service and effective and efficient governance, and would not be in the overall interest of the community; and
  - (v) the private sector operates in a more volatile environment heavily affected by the state of the economy generally and of a particular trade/industry at a given point in time. Entities in the same business niche in the private sector compete with each other. Necessarily, the private sector adopts more flexible hiring and remuneration practices. The civil service operates in a more stable environment; and employment in the civil service, subject to good conduct and performance, is normally “permanent” until the statutory retirement age. The different environment makes it inappropriate for civil service pay to closely mirror the fluctuations in private sector pay;
- (d) Following the private sector: Broad comparability with the private sector is adhered to under the principle that the Government should follow, but not lead, the private sector. This principle applies to both the determination of pay levels in the civil service and the annual adjustment of civil service pay, and is manifested in the form of collection of private sector pay data for the 12-month period ending at a pre-determined date in the past (for the periodic pay level surveys) and private sector pay adjustments over a 12-month period from 2 April of the preceding year to 1 April of the current year (for the annual pay trend surveys). The information collected, together with other



relevant considerations, will help determine the civil service pay adjustments;

- (e) Maintaining internal relativities within the civil service: The civil service is centrally administered. Maintaining internal relativities ensures a degree of consistency and fairness in determining the pay levels for a total of some 400 civil service grades and over 1,000 ranks. It also overcomes the practical constraint that some grades or ranks do not have any private sector comparators. Internal pay relativities are revised as justified following individual grade structure reviews. Until they are revised, the existing internal relativities are adhered to;
- (f) Taking account of the Basic Law and other legal considerations: Any change to the existing civil service pay adjustment mechanism must be consistent with the Basic Law and must take full account of the contractual considerations, those international obligations which apply to Hong Kong and other legal considerations relevant to the employment relationship between the Government and civil servants; and
- (g) Taking account of the Government's fiscal position and other considerations: As civil servants are paid out of the public purse, the Government's overall fiscal position is an important consideration. Civil service pay also needs to have regard to the economic circumstances of Hong Kong, including changes in the cost of living, as a whole. In addition, the views of civil servants as well as staff morale have been and remain relevant considerations in the Government's determination of adjustments to civil service pay.

**General Framework for the Conduct of Pay Level Survey<sup>2</sup>**

- (a) The adoption of a broadly defined job family and job level method;
- (b) the selection of civil service benchmark jobs in each job family and job level with comparators in the private sector;
- (c) the matching and comparison of civil service benchmark jobs with counterpart jobs in the private sector;
- (d) the selection of steady and good employers in the private sector to participate in the survey;
- (e) the collection of both basic cash and total cash compensation data from surveyed companies; and
- (f) the adoption of the typical organisation practice approach for consolidation of data collected from surveyed companies.

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<sup>2</sup> The Executive Council endorsed in 2007 the general framework for the conduct of future Pay Level Survey (PLS) subject to a review of the following three main differences between the PLS and the Pay Trend Survey (PTS) –

- (a) companies surveyed: the PLS covers companies with 100 or more employees only while the PTS also covers companies with 50-99 employees;
- (b) data consolidation method: the PLS uses the typical organisation practice approach (which is in effect an un-weighted average approach) while the PTS uses the weighted average approach with gross-up factors; and
- (c) number of job levels and salary bands: the PLS categorises the surveyed employees into five job levels, while the PTS uses a three-salary band categorisation.

## **General Principles of Application of Pay Level Survey Findings to Non-directorate Civilian Grades of the Civil Service**

- (a) The adoption of total cash compensation data at the upper third quartile (or P75) for the determination of the private sector pay indicator for each job level;
- (b) the adoption of the notional mid-point salary plus the actual average expenditure on fringe benefits paid in cash for the determination of the civil service pay indicator for each job level;
- (c) the adoption of a plus/minus 5% as the acceptable range of difference between the civil service and private sector pay indicators for a job level. Where the difference is within this range, no downward/upward adjustment is to be made to the relevant civil service pay points. Where the difference falls outside this range, the downward/upward adjustment to the relevant civil service pay points is to be made to the upper/lower limit of the 5% range; and
- (d) the application of Pay Level Survey (PLS) results, in accordance with items (a) to (c) above, to all civil service pay scales on the basis of their internal relativities as at the reference date of the concerned PLS.