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Panel on Public Service
Meeting on 20 February 2012

**Updated background brief on the Starting Salaries Survey and the Pay
Level Survey for the civil service**

Purpose

This paper provides background information on the Starting Salaries Survey (SSS) and the Pay Level Survey (PLS) for the civil service, and summarizes Members' concerns and views at previous discussions.

Background

Civil service pay policy

2. The Government's civil service pay policy is to offer remuneration sufficient to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service; and such remuneration is to be regarded as fair by both civil servants and by the public they serve. For the latter, the Government accepts that comparability with the private sector should be an important factor in setting civil service pay. To ensure that, it is the Government's policy to conduct a PLS every six years using the broadly-defined job family and job level method. In addition, the Government conducts a Pay Trend Survey (PTS) on a yearly basis, and a SSS at three-yearly intervals to ascertain whether the starting pay specified for different entry ranks in the civil service requiring different qualifications is comparable with private-sector jobs requiring similar qualifications.

Determination of starting salaries for entry ranks

3. Civil service salaries at the entry level are set having regard primarily to educational qualifications and to the entry pay for comparable educational qualifications in the private sector.

4. Since 1979, the civil service grade structure and pay scale system has been built on the basis of an Educational Qualification Grouping system, under which all the civilian grades in the civil service are grouped into a number of qualification groups (QGs) on the basis of the educational and experience requirement for appointments. The different entry ranks in the civil service are grouped into various broad-band education QGs. For each QG, there is one (or two) benchmark salary (hereafter referred to as "benchmark"), which is set having regard to entry pay in the private sector for similar educational qualification as determined through a SSS. This is to ensure that civil service starting salaries stay closely in line with those of the private sector. Where no comparable entry pay is found in the private sector for a QG existing in the civil service, the benchmark for that QG is determined through internal relativities with other QGs.

5. When the benchmark of a QG is determined, the starting salaries of the civil service grades in that particular QG are set on par with, or, where justified for reasons of special job requirements or recruitment difficulties, at one or more points higher¹ than the benchmark for the QG. At present, there are 12 QGs in the civil service.

Conduct and application of Starting Salaries Review/Survey

6. The Starting Salaries Reviews in 1979, 1989 and 1999 were conducted by the Standing Commission on Civil Service Salaries and Conditions of Service (the Standing Commission), with the two reviews in 1979 and 1989 conducted as part of the overall salary structure reviews. The 2006 SSS was conducted by the consultant engaged by the Administration to also conduct the 2006 PLS.

7. In view of the lack of comparators in the market, SSSs do not cover the disciplined services grades. The starting salaries of these grades would be adjusted through a formulation advised by the Standing Committee on Disciplined Services Salaries and Conditions of Service (sample used in 2006 at **Appendix I**).

¹ Except for special cases such as the assistant ranks for professional grades, for which the starting salaries are one or more points below the benchmark of their respective QG.

Starting Salaries Review/Survey conducted in 1999 and 2006

Downward revision in starting salaries following the 1999 review

8. The starting salaries review conducted by the Standing Commission in 1999 showed that civil service entry pay had outstripped that in the private market. As a result of the 1999 review, benchmarks for most of the 12 QGs of the civilian grades were lowered by 6% to 31% and those for the disciplined grades were lowered by 3% to 17%. The review resulted in the lowering of starting salaries (by one to at most six pay points) for a majority of the entry ranks. The revised lower starting salaries for affected civilian and disciplined grades took effect on 1 April 2000.

Upward revision in starting salaries following the 2006 survey

9. A survey was again conducted in 2006. Based on the findings of the 2006 SSS, the Administration recommended that the benchmarks for nine of the 12 QGs should be increased. The starting salaries of those civilian grades in the other three QGs would remain unchanged. For the disciplined grades, the Administration recommended that the new starting salaries should be derived in accordance with the 1999 formulation based on the new benchmark(s) of the relevant QGs. In brief, the starting salaries of some civilian grades and most disciplined grades were increased by one to at most five pay points.

10. A Legislative Council (LegCo) Brief [File Ref:CSBCR/PG/4-085-001/46-2] announcing the recommended starting salaries for the civil service as determined in accordance with the established mechanism was issued on 15 May 2007. In the same LegCo Brief, the Administration also announced -

- (a) the adoption of normal conversion arrangement (paragraphs 13 and 14 below) for civil servants appointed to entry ranks on or after 1 April 2000 and were still serving in entry ranks; and
- (b) changes in the frequency of future SSS (paragraph 15 below).

11. The Administration pointed out that as the new starting salaries for some civilian and disciplined grades were higher than the existing salaries, which had been implemented since April 2000, it was necessary to address the issue of how to adjust the pay of those civil servants who were appointed to the entry ranks of these grades prior to the implementation of the increased starting salaries, in order to avoid a serving (and therefore more senior) civil servant from being paid less than his/her junior in the same entry rank.

12. The Administration estimated that around 12 200 serving civil servants (as at January 2007), made up of around 5 000 in civilian grades and 7 200 in disciplined grades, would be affected by the revised higher starting salaries. These staff were appointed to the civil service on or after 1 April 2000 and would still be serving in the entry ranks in those QGs with a new, higher benchmark upon the implementation of the recommended revised starting salaries (hereafter referred to as "affected serving civil servants").

Conversion arrangement for the 2006 SSS

13. In brief, under the normal conversion arrangement, the pay of affected serving civil servants should be -

- (a) brought up to the revised higher entry pay point if their existing pay was below the new starting salary; and
- (b) brought up to the next higher pay point (including incremental jump and omitted points, if any) subject to the maximum pay point of their ranks², if their existing pay was equal to or above the revised higher starting salary.

14. The adoption of the normal conversion arrangement was to ensure that the pay of serving civil servants would not be worse off than new recruits (except for new recruits awarded with incremental credits for relevant previous experience).

Frequency of SSS

15. The Administration also announced on 15 May 2007 that to maintain the competitiveness of recruitment into the civil service and to ensure that the starting pay of the civil service remained in line with that of the private sector, a SSS would be conducted at three-yearly interval (counting from 1 April 2006 which was the reference date for the 2006 SSS) in future.

2009 Starting Salaries Survey

16. In line with the decision of CE-in-Council made in 2007 that a SSS should be conducted every three years, the Administration invited the Standing Commission to conduct the 2009 SSS, using 1 April 2009 as the reference date.

² Except for special cases such as assistant ranks (e.g. assistant engineer), the maximum pay point of which will be adjusted upwards in step with the relevant entry rank (e.g. engineer). Under such circumstances, the award of one additional pay point will be subject to the new, higher maximum pay point of the relevant rank.

The qualification benchmark method was used by the Standing Commission in the 2009 SSS.

17. The findings of the survey indicated that the benchmark for QG9 (degree and related grades) was significantly above the entry pay for jobs in the private sector requiring similar educational qualification for appointment. The Standing Commission henceforth recommended the benchmark for QG9 should be reduced by two pay points, and correspondingly, the starting salaries of 37 civilian grades (including 26 grades in QG9, five in QG11 and six in QG12) requiring degree qualification for appointment should be reduced by two pay points. The Standing Commission also recommended that the benchmarks for QGs1 to 8 and QG10 should remain unchanged.

Discussion on the Starting Salaries Review/Survey

Implications of the 1999 Starting Salaries Review and revised lower starting salaries for civil service recruits

18. The Panel on Public Service discussed the findings of the 1999 review and the proposed new benchmarks and starting salaries at its meetings on 22 July and 15 November 1999. While some Panel members agreed to the need to bring civil service starting salaries in line with private sector entry pay, some members expressed concern about the implications of the proposed new benchmarks and starting salaries on the overall labour market. The Administration pointed out that the results of the review were only a move to follow, not lead, the market. The Administration's finalized recommendations on reduction in the starting salaries of basic ranks arising from the 1999 review were submitted to the Establishment Subcommittee (ESC) for consideration.

19. At its meeting on 12 January 2000, ESC discussed the Administration's recommendations on the new civil service starting salaries. Some ESC members considered that it was unfair that only the starting salaries of entry ranks were to be adjusted rather than the entire grade including those on the upper end of the salary structure. ESC members in general considered that the consultation exercise on the reduction in civil service starting salaries incomplete and rejected the Administration's recommendations.

20. At the Administration's request, the Panel discussed the Administration's recommendations on the new civil service starting salaries again at its meeting on 17 January 2000. Some Panel members reiterated the concern that the reduction in civil service starting salaries might give rise to a downward trend for salaries in the private sector. The Administration responded that instead of

taking the lead, the Government was only seeking to ensure that civil service starting salary levels were broadly comparable with private sector entry pay, and the changes proposed had in fact been based on the results of the pay comparison survey conducted to collect such data in the private sector. Some Panel members also expressed concern that the implementation of the recommended revised starting salaries would result in a substantial difference in salaries between serving civil servants and new recruits of the same rank, thereby giving rise to the problem of "different pay for the same job" and affecting staff morale. The Administration advised that the difference in salaries would only exist in the short term because a new recruit might make up the difference either by promotion or by reaching the maximum pay point of his rank. To address concerns about the implications of the new benchmarks and pay model on serving staff on transfer, the Administration also agreed to allow a great majority of serving staff on transfer to another grade to maintain their existing salary levels. Teachers on transfer between schools would also be allowed to carry their existing pay upon transfer.

21. Some members shared the concern of civil service unions that it was unfair to them that the conduct of the 1999 review was at a time when Hong Kong's economy was at its worst. The Administration responded that it had accepted the Standing Commission's advice that SSSs would be conducted more frequently in future.

22. The Administration's recommendations on the revised civil service starting salaries were endorsed by ESC on 26 January 2000 and approved by the Finance Committee (FC) on 18 February 2000. The new starting salaries (lowered by one to at most six pay points) took effect on 1 April 2000.

Concerns about the normal conversion arrangement for the 2006 SSS

23. The Panel was briefed on the application of the findings of the 2006 SSS to the civil service at its meeting on 21 May 2007. Some members were gravely concerned about the adoption of the normal conversion arrangement for adjusting the salaries of civil servants and teachers in government aided schools appointed to entry ranks on or after 1 April 2000 and were still serving in entry ranks, as the staff concerned would have their salaries revised to a level equivalent to, or only one pay point higher than, the revised starting salaries for new appointees. These Panel members held the view that the proposed conversion arrangement failed to duly recognize the experience and years of service of the serving civil servants.

24. Panel members also noted that for new appointees of certain professional grades such as Government Counsel and Engineers, they might be awarded

additional pay points according to the duration of post-qualification experience they possessed when joining the civil service. As a result, these new appointees might receive a higher salary than those serving civil servants in the same professional grade appointed on or after 1 April 2000 with the same level of experience. Members were worried that the disparity in salaries so created between new appointees and serving civil servants would seriously undermine staff morale.

25. The Administration explained that the Government's position, adopted in 2000 when starting salaries were adjusted downwards, was not to reduce the salaries of serving staff to take account of the reduction in starting salaries. When serving staff were protected from a downward revision of starting salaries, the Administration considered it necessary to ensure an appropriate balance was incorporated into the conversion arrangement for affected serving staff when starting salaries were revised upwards. Otherwise, there would be a public conception that civil servants attempted to maximize benefits in the case of a SSS resulting in upward adjustment of starting salaries but refused to bear any pay cut in the opposite scenario. The Administration also pointed out that the normal conversion arrangement had been recommended by the Standing Commission since its inception in 1979. The Standing Commission considered that a point-to-point conversion should not be adopted as it was an "over-generous" arrangement.

26. After deliberation, the Panel passed a motion proposing that the new benchmarks for the 12 QGs should be further improved, and urging the Government to review the conversion arrangements for the civil servants and teachers of aided schools employed on or after 1 April 2000 afresh on the basis of the principle that full regard should be given to the length of service and experience of the existing civil servants.

27. The Administration subsequently provided a written response to the motion passed by the Panel [LC Paper No. CB(1)1870/06-07(01) issued in June 2007]. In brief, the Administration remained of the view that it was appropriate to adopt the normal conversion arrangement which had struck a good balance between protecting the concerned serving staff against the risk of downward adjustment in starting salaries arising from a future SSS on the one hand, and their expectation for a full conversion of their salaries when starting salaries were adjusted upwards as a result of the 2006 SSS on the other hand. Given that a SSS would in future be conducted every three years, the Administration concurred with the Standing Commission that ensuring even-handedness in treatment for both upward and downward revision in starting salaries was necessary.

28. With the approval of FC on 6 July 2007, the new starting salaries based on findings of the 2006 SSS took effect on 1 August 2007.

Concerns about the recommendation of reducing the starting salaries of the basic ranks of degree grades

29. On 15 March 2010, the Administration briefed the Panel on the findings and recommendations of the Standing Commission's Report No. 46 on the Civil Service SSS 2009. The Panel noted that the Standing Commission recommended that the benchmark for QG9 (degree and related grades) should be adjusted downwards by two pay points, as it was significantly higher than the P75 level³ of market entry pay. Some members considered that the recommended reduction in the starting salaries of the basic ranks of degree grades would deter quality degree holders from aspiring to join the civil service. They pointed out that, if the starting salaries for QG9 were so adjusted, the difference in the starting salaries for QG9 and Group I of QG3 (higher diploma grades) would only be \$950. Such difference was unreasonable and would give the public the impression that university education had depreciated in value and was not worth the time or costs incurred. They also expressed grave concern about the impact of the proposed downward starting pay adjustment on the pay level of the private sector.

30. The Administration advised that the revised starting salaries would still be higher than the P75 level of market pay for new recruits with the same education qualification; and the maximum salaries would remain unchanged. In addition, unlike higher diploma grades most of which stopped short at below the directorate level, the structure of most degree grades extended to the directorate ranks and therefore staff members in these grades enjoyed better career prospects.

31. On 18 May 2010, the Standing Commission's recommendations were approved by CE-in-Council. Subject to the approval of FC, the new starting salaries would apply to new recruits who were offered appointment on or after 1 October 2010.

2006 Pay Level Survey

32. PLS, conducted at six-yearly intervals, compares the prevailing salaries of different segments of non-directorate civil servants (categorized by job levels

³ Having regard to the established practice and to consideration that the Government should be a good employer, the Standing Commission considers that the third quartile level (P75) of the total cash compensation of private sector pay (i.e. the better paying private sector jobs) should continue to be adopted as the basis of comparison.

and job families) with their counterparts in the private sector. On 25 February 2003, CE-in-Council decided that the Administration should in consultation with staff develop, on the basis of the existing mechanism, an Improved Civil Service Pay Adjustment Mechanism which should comprise the conduct of periodic PLSs to compare civil service pay levels with those in the private sector, the conduct of annual PTSs based on an improved methodology and an effective means for implementing both upward and downward pay adjustments.

33. To ensure that PLS would be carried out in a credible and professional manner, the Administration developed the survey methodology and carried out the actual survey work and data analysis with professional assistance from outside consultants in two phases.

34. Under the survey methodology for PLS, a job inspection process was carried out with the participation of management and staff to gather detailed job-related information on the civil service benchmark jobs to facilitate identification of broadly comparable jobs in the private sector on which pay data would be collected.

35. In September and October 2005, the Phase Two Consultant carried out staff consultation on the approach for the job inspection process. Taking account of the consultation feedback, the Consultant finalized the job inspection approach, which was set out in his interim report. In December 2005, the Consultant commenced the job inspection process in accordance with the approach set out in the interim report. The job inspection process was completed with the support of grade/departmental management and the cooperation of staff. The Consultant completed the PLS, using 1 April 2006 as the reference date, and submitted its final report in April 2007.

36. The 2006 PLS revealed that civil service pay indicators for five respective job levels fell within the plus/minus 5% range of the respective market pay indicators. On 24 April 2007, CE-in-Council decided that no adjustment should be made to the civil service pay scales as at 1 April 2006. In endorsing the results of the 2006 PLS, CE-in-Council also endorsed the regular conduct of PLSs at six-yearly intervals, the general framework for the conduct of these surveys, and the general framework for the application of survey findings to the civil service

Discussion on the 2006 Pay Level Survey

37. In reviewing the progress of the conduct of PLS in November 2006, the Panel was particularly concerned about the selection of private sector

organizations which would take part in the 2006 PLS. The Panel noted from the Administration that the private organizations invited to join the PLS covered all major economic sectors in Hong Kong. The objective was to make available about 10 private organizations which had jobs with similar job nature and level of responsibilities for comparison with each benchmark civil service post. In the selection of the 208 private organizations for the 2006 PLS, the Administration had consulted the Consultative Group on Civil Service Pay Adjustment Mechanism which was an established forum for the Administration and staff side representatives to exchange views and discuss issues relating to the development of an improved pay adjustment mechanism for the civil service.

38. On 24 April 2007, CE-in-Council endorsed the regular conduct of PLSs at six-yearly intervals, the general framework for the conduct of these surveys, and the general framework for the application of survey findings to the civil service. The Panel held a meeting on 21 May 2007 to receive a briefing by the Administration on the results of the 2006 PLS and the Government's decision regarding the application of PLS results to the civil service. The Panel noted that all the civil service pay scales should remain unchanged since, according to the PLS results, the difference between the civil service and private sector pay indicators for all job levels was within the acceptable range of plus/minus 5%. In the course of deliberation, some Panel members pointed out that while the salaries for some civil service jobs were apparently higher than those in the private sector, the 2006 PLS did not reveal such disparity, and hence the methodology of the PLS might need to be refined to enable more precise comparison of the pay levels of comparable jobs in the public and private sectors.

Latest development

39. The Administration has proposed to brief members on the work plan for the SSS and PLS at the Panel meeting on 20 February 2012.

Relevant papers

40. A list of relevant papers is in **Appendix II**.

Enclosure 3 to EC(2007-08)7

Formulation for Applying the Findings of the 2006 Starting Salaries Survey to the Disciplined Grades

- (1) Police Inspector (IP) and Police Constable (PC) were chosen as the reference point for the officer grades and the rank and file grades in the disciplined services respectively.
- (2) The basic formula used in arriving at the new starting salaries for IP and PC was -
- *Existing salary – existing benchmark salary¹ = element of salary relating to special job factors (A)*
 - *A + new benchmark salary recommended in the SSS = new starting salary*
- (3) The new starting salaries of comparable grades/ranks (e.g. Station Officer in relation to IP and Fireman in relation to PC) were derived from the following formula to the nearest pay point –

$$\text{Existing comparable rank starting salary} \times \frac{\text{New Police starting salary}}{\text{Existing Police starting salary}}$$

- (4) The new starting salaries of “non-comparable ranks” (e.g. Aircraft Engineer in the Government Flying Service which was linked to QG8, Group 1) were derived by a direct application of the formula in (2) above.

¹ The benchmark for IP was QG 7 (Grades requiring 2A30) and the benchmark for PC was QG 2 (School Certificate Grades).

Appendix II

Starting Salaries Survey

List of relevant papers

Date of meeting of Panel on Public Service	Minutes / Paper	LC Paper No.
22.7.1999	<p>Legislative Council Brief issued by Civil Service Bureau on 20 July 1999</p> <p>Minutes of meeting</p>	<p>File Ref: CSBCR/PG/4-085-001/2/99</p> <p>http://www.legco.gov.hk/yr98-99/english/panels/ps/papers/ps2207_4.htm</p> <p>CB(1)350/98-99</p> <p>http://www.legco.gov.hk/yr98-99/english/panels/ps/minutes/ps220799.pdf</p>
15.11.1999	<p>Administration's paper on "Starting Salaries Review"</p> <p>Administration's paper on "Starting Salaries Review Implications for the Disciplined Services"</p> <p>Summary of submissions on the Civil Service Starting Salaries Review 1999 prepared by the Secretariat</p>	<p>CB(1)317/99-00(02)</p> <p>http://www.legco.gov.hk/yr99-00/english/panels/ps/papers/a317e02.pdf</p> <p>CB(1)62/99-00</p> <p>http://www.legco.gov.hk/yr99-00/english/panels/ps/papers/a62e.pdf</p> <p>CB(1)288/99-00</p> <p>http://www.legco.gov.hk/yr99-00/english/panels/ps/papers/cb1-288e.pdf</p>

Date of meeting of Panel on Public Service	Minutes / Paper	LC Paper No.
21.5.2007	<p>Relevant Legislative Council Brief</p> <p>Administration's Response to the Motion on the Application of the Findings of the 2006 Starting Salaries Survey</p> <p>Minutes of meeting</p> <p>Relevant Establishment Subcommittee paper</p>	<p>File Ref: CSBCR/PG/4-085-001/46-2</p> <p>http://www.legco.gov.hk/yr06-07/english/panels/ps/papers/ps0521-csbcprg4085001462-e.pdf</p> <p>CB(1)1870/06-07(01)</p> <p>http://www.legco.gov.hk/yr06-07/english/panels/ps/papers/ps0521cb1-1870-1-e.pdf</p> <p>CB(1)1916/06-07</p> <p>http://www.legco.gov.hk/yr06-07/english/panels/ps/minutes/ps070521.pdf</p> <p>EC(2007-08)7</p> <p>http://www.legco.gov.hk/yr06-07/english/fc/esc/papers/e07-07e.pdf</p>
15.3.2010	<p>Administration's paper on 2009 Starting Salaries Survey: findings and recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service</p>	<p>CB(1)1331/09-10(04)</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps0315cb1-1331-4-e.pdf</p>

Date of meeting of Panel on Public Service	Minutes / Paper	LC Paper No.
	<p>Paper on starting salaries survey for the civil service prepared by the Legislative Council Secretariat (Background brief)</p> <p>Minutes of meeting</p>	<p>CB(1)1332/09-10</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps0315cb1-1332-e.pdf</p> <p>CB(1)1913/09-10</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ps/minutes/ps20100315.pdf</p>
24.5.2010	<p>Administration's paper on 2009 Starting Salaries Survey: Application to the Civil Service (Legislative Council Brief)</p> <p>Paper on starting salaries survey for the civil service prepared by the Legislative Council Secretariat (Background brief)</p> <p>Minutes of meeting</p>	<p>File Ref. CSBCR/PG/4-085-001/63</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps-csbcprg408500163-e.pdf</p> <p>CB(1)1332/09-10</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps0315cb1-1332-e.pdf</p> <p>CB(1)103/10-11</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ps/minutes/ps20100524.pdf</p>

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