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Panel on Public Service
Meeting on 21 March 2016

Updated background brief on
Starting Salaries Surveys for the civil service

Purpose

This paper provides background information on the Starting Salaries Surveys ("SSS") for the civil service, and summarizes the major views and concerns expressed by members when the 1999 starting salaries review and the subsequent starting salaries surveys were discussed by the Panel on Public Service ("the Panel").

Background

The Government's civil service pay policy

2. According to the Administration, the Government's civil service pay policy is to offer sufficient remuneration to attract, retain and motivate staff of a 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.

3. To implement the afore-mentioned civil service pay policy, the Executive Council ("ExCo") endorsed an Improved Civil Service Pay Adjustment Mechanism in 2007. Under the Mechanism, civil service pay is compared with private sector pay on a regular basis through three separate surveys, namely:

- (a) an annual Pay Trend Survey ("PTS") to ascertain year-on-year pay adjustments in the private sector;

- (b) 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
- (c) a Pay Level Survey ("PLS") every six years to ascertain whether civil service pay remains broadly comparable with private sector pay.

Determination of starting salaries for basic ranks

4. Non-directorate civilian civil service grades in the civil service are grouped into 12 Qualification Groups ("QGs")¹ according primarily to educational qualifications, experience requirements and/or job nature, etc. Generally speaking, a benchmark pay ("benchmark") is set for each QG in the light of entry pay in the private sector for similar educational qualification as ascertained by SSS. When the benchmark for a QG is determined, the starting salaries of the basic ranks of the grades in that particular QG are set on par with, or one or more points higher than (where justified for reasons of special job requirements or recruitment difficulties), the said benchmark. Where SSS fails to ascertain the entry pay in the private sector for a particular QG, the benchmark for that QG is set through internal relativities with other QGs.

Previous starting salaries reviews

5. The first specific review² on civil service starting salaries was conducted in 1999 by the Standing Commission on Civil Service Salaries and Conditions of Service ("the Standing Commission") ("the 1999 SSS"). The findings and recommendations of the review were set out in the Standing Commission's Report No. 36: Civil Service Starting Salaries Review 1999³. The second review on civil service starting salaries was carried by the Administration in 2006 ("the 2006 SSS")⁴, along with the 2006 PLS. The third, the fourth and the

¹ QGs adopted in the 2012 SSS are in **Appendix I**.

² Before the first specific review in 1999, civil service starting salaries were reviewed as part of the overall civil service salary structure reviews undertaken by the Standing Commission in 1979 and again in 1989.

³ The Standing Commission's Report No. 36 (June 1999) is available on the website of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service at <http://www.jsscs.gov.hk/reports/en/36/emain.htm>.

⁴ The findings of the 2006 SSS are available on the Civil Service Bureau's website at http://www.csb.gov.hk/english/admin/pay/files/final_report070515e2.pdf.

the latest (fifth) reviews on civil service starting salaries were conducted by the Standing Commission in 2009⁵, 2012⁶ and 2015 respectively.

6. The disciplined services grades are excluded from the SSSes because of the lack of market comparators. In the previous SSSes, survey findings were applied to the basic ranks of disciplined services grades as advised by the Standing Committee on Disciplined Services Salaries and Conditions of Service ("SCDS").

Past discussions

The 1999 SSS

7. The Panel discussed the findings of the 1999 review at its meetings on 22 July and 15 November 1999. Members noted that the review findings showed that civil service entry pay had outstripped that in the private market. The Administration accepted the recommendations of the Standing Commission on the new benchmarks and starting salaries that the benchmarks for most of the 12 QGs of the civilian grades be lowered by 6% to 31 % and those for the disciplined services grades be lowered by 3% to 17%, and that the starting salaries for a majority of the entry ranks for both the civilian grades and disciplined services grades be lowered by one to at most six pay points.

8. Panel members expressed divided views on the recommendations on reduction in the starting salaries of basic ranks arising from the review. Whilst some members recognized the need to bring civil service starting salaries in line with those in the private sector, other members shared the concern of civil service unions that the conduct of the review when Hong Kong's economy was at its worst was unfair to civil servants. In this respect, the Administration agreed that civil service pay reviews should be conducted more frequently. On members' 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 to lead, the market.

⁵ The Standing Commission's Report No. 46: Civil Service Starting Salaries Survey 2009 (March 2010) is available on the website of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service at <http://www.jsscs.gov.hk/reports/en/46/46.pdf>.

⁶ The Standing Commission's Report No. 49: Civil Service Starting Salaries Survey 2012 (December 2012) is available on the website of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service at <http://www.jsscs.gov.hk/reports/en/49/49.pdf>.

9. The Administration's recommendations on reduction in the starting salaries of basic ranks arising from the 1999 review were submitted to the Establishment Subcommittee ("ESC") for consideration on 12 January 2000. ESC members in general considered that the consultation exercise on the reduction in civil service starting salaries incomplete and rejected the Administration's recommendations.

10. At the Administration's request, the Panel discussed the Administration's recommendations⁷ on the new civil service starting salaries again at its meeting on 17 January 2000. Some Panel members 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 and affect 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 in-service transfer, the Administration 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 were also allowed to carry their existing pay upon transfer.

11. The Administration's recommendations on the revised civil service starting salaries were re-submitted to and 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.

The 2006 SSS

12. The 2006 SSS was conducted by a consultant engaged by the Administration. Based on the findings of the 2006 SSS, the Administration recommended in May 2007 that the benchmarks for nine of the 12 QGs should be increased, and as a result, the starting salaries of some civilian grades and most disciplined services grades be increased by one to at most five pay points.

13. The Administration indicated that in order 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), the

⁷ The Administration did not make revisions to its recommendations but provided a supplementary information note [EC(1999-2000)37] to ESC.

normal conversion arrangement would be adopted for civil servants appointed to entry ranks on or after 1 April 2000 and were still serving in entry ranks (hereafter referred to as "affected serving civil servants"). Under the normal conversion arrangement, the pay of affected serving civil servants would 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 ranks⁸, if their existing pay was equal to or above the revised higher starting salary.

14. 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 and teachers in government aided schools.

15. 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.

16. The Administration explained that in 2000 when starting salaries were adjusted downwards, the Government adopted the position that it would not 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

⁸ 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.

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.

17. 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 and serving teachers.

18. In its written response to the motion, the Administration re-iterated its view that it was appropriate to adopt the "normal conversion" arrangement for affected serving civil servants. 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.

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

The 2009 SSS

20. On 15 March 2010, the Administration briefed the Panel on the findings and recommendations of the 2009 SSS. The findings of the 2009 SSS indicated that the benchmark for QG 9 (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 that the benchmark for QG 9 should be reduced by two pay points, and correspondingly, the starting salaries of 37 civilian grades (i.e. 26 grades in QG 9, five in QG 11 and six in QG 12) requiring degree qualification for appointment should be reduced by two pay points. The Standing Commission also recommended that the benchmarks for QGs 1 to 8 and QG 10 should remain unchanged.

21. 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 QG 9 were so adjusted, the difference in the starting salaries for QG 9 and Group I of QG 3 (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.

22. The Administration advised that the revised starting salaries would still be higher than the upper quartile ("P75")⁹ 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.

23. The Administration's recommendations on the revised benchmark and starting salaries for civilian grades in QG 9 as well as the revised starting salaries of the degree-qualification civilian grades in QG 11 and QG 12 were endorsed by ESC on 17 June 2010 and approved by the FC on 2 July 2010. The revised starting salaries took effect on 1 October 2010.

The 2012 SSS

24. The Administration briefed the Panel on the findings and recommendations of the 2012 SSS conducted by the Standing Commission on 21 January 2013 and 15 April 2013 respectively. Members noted that the findings of the 2012 SSS showed that existing benchmarks of most QGs with sufficient data for analysis closely reflected the market P75 pay levels. The only two exceptions were QG 9 (Degree and Related Grades) and QG 10 (Model Scale 1 Grades) whose benchmarks were higher than the respective market P75 pay levels by 8.8% (or \$1,973 per month) and 5.7% (or \$580 per month) respectively. Having considered the need to maintain a stable and permanent civil service and the inherent differences between the civil service and private sector, the Standing Commission had recommended that the status quo be maintained for the benchmark for all QGs, including QGs 9 and 10.

⁹ The third quartile level of the total cash compensation of private sector pay.

25. Noting that the market P75 pay level for QG 9 was \$20,432 per month, question was raised about the methodology for getting this figure. The Administration explained that in conducting the 2012 SSS, a series of criteria were adopted to select private sector organizations for participation in the survey. The criteria included the organizations' steadiness, reputation, number of employees, number of jobs that were reasonable counterparts to the QGs covered in the survey, etc. A total of 136 private sector organizations which satisfied the selection criteria had provided valid data for the survey. Furthermore, having regard to the past practices and the consideration that the government should be a good employer, the Standing Commission had adopted the P75 pay level as the basis for comparison with the civil service benchmark for individual QGs. The market P75 pay level for QG 9 of \$20,432 per month included other cash payments (e.g. variable bonus, etc.) in addition to the basic salary.

26. In view of the notable wage increase of technical workers in the construction industry in recent years, suggestion was made as to whether the Administration would consider an upward pay adjustment for civil servants of technical grades/ranks. The Administration advised that a few individual technical departments might encounter short-term difficulties in staff recruitment. The relevant bureaux/departments ("B/Ds") had the responsibility to conduct regular reviews on their manpower situations and take remedial actions. In some special circumstances, B/Ds might exceptionally consider employing existing civil servants beyond their retirement age to help meet the short-term operational needs.

27. On the suggestion of establishing a separate QG for sub-degree holders to facilitate recognition of sub-degree qualifications for civil service appointment, the Administration advised that the grades/ranks which accepted sub-degree qualifications were currently grouped under QG 3 Group I (Higher Diploma Grades). The benchmark for a specific QG was set in the light of the entry pay in the private sector for jobs requiring similar educational qualification as ascertained by the previous SSSs. Since the market could not provide sufficient data on the entry pay of sub-degree holders, it would be difficult to assign a new QG for sub-degree holders.

The 2015 SSS

28. On 16 February 2015, the Administration briefed the Panel of the conduct of the 2015 SSS. In inviting the Standing Commission to conduct the 2015 SSS, the Administration had advised it on the following:

- (a) the preferred reference date for the 2015 SSS was 1 April 2015, since the last SSS took 1 April 2012 as the reference date;
- (b) the methodology and application framework adopted in the 2012 SSS should be considered for adoption in the 2015 SSS, as the methodology and application framework adopted in the 2012 SSS were generally effective;
- (c) the fine tradition of the Standing Commission of fully consulting/engaging staff representatives and interacting with relevant external stakeholders (e.g. human resources institutes) as appropriate should continue, so as to enhance the transparency and credibility of the 2015 SSS;
- (d) the survey findings and recommendations on the 2015 SSS should preferably be submitted within a reasonable period of time from the survey reference date to be chosen, since the relevancy of the findings of a pay-related survey was inevitably affected by the time lag between the survey reference date on the one hand and the availability of survey findings and recommendations on their application to the civil service on the other; and
- (e) the need for engaging the SCDS in the conduct of the 2015 SSS should be considered, as the Administration would adopt the arrangement of the last two SSSes and consult the SCDS on the application of the survey findings to the disciplined services upon receipt of the 2015 SSS report.

29. Referring to an incident whereby civil servants did not fully accept the Government's decision on pay adjustment based on the 2013 PTS, a member asked whether improvement would be made to, say, the methodology, survey field and application framework, of the 2015 SSS.

30. The Administration advised that the Government had all along taken into account all relevant factors in considering the application of the findings of PTS, SSS and PLS. It cited the consideration of the findings of the 2012 SSS as an example. Although the findings of the 2012 SSS indicated that the market third quartile (P75) pay level of QG 9 (Degree and Related Grades) and QG 10 (Model Scale 1 Grades) was lower than the civil service benchmark pay by 8.8% and 5.7% respectively, the Standing Commission, taking into account all relevant factors, such as the inherent differences between the civil service and private sector pay systems and the need to maintain the stability of civil service

pay, recommended that no change should be made to the existing benchmark pay of QG 9 and QG 10. The Government agreed to the Standing Commission's recommendation.

31. The Administration further advised that the Standing Commission would, as in previous SSSs, fully engage the Staff Sides at various stages of the survey. For example, although the list of private sector organizations invited to provide pay data in the 2012 SSS would be used as a starting point for the survey field in the 2015 SSS, the survey field could be revised after taking into account views from the Staff Sides.

32. On whether the raising of the retirement age of civil servants new recruits to 65 for civilian grades and to 60 for disciplined services grades would be one of the factors to be taken into account in the 2015 SSS, the Administration advised that it would defer to the Standing Commission to decide whether or not to take into account of higher retirement age in considering how the results of the 2015 SSS should be applied to civil service basic ranks. The Administration however considered that higher retirement age for civil service new recruits should not have a direct bearing on the SSS.

Latest position

33. The Administration will inform the Panel of the findings and recommendations of the Standing Commission on the 2015 SSS at the Panel meeting on 21 March 2016.

Relevant papers

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

Existing Civil Service Qualification Groups (QGs)

QG	Grades and Qualification Requirements	Benchmark Pay	Monthly Salary \$ (1 April 2012)
1	Grades not requiring five passes in HKCEE	MPS 1	10,160
2	School Certificate Grades Group I: Grades requiring five passes in HKCEE Group II: Grades requiring five passes in HKCEE plus considerable experience	MPS 3	11,520
3	Higher Diploma and Diploma Grades Group I: Higher Diploma Grades	MPS 13	21,330
	Group II: Diploma Grades	MPS 8	15,805
4	Technical Inspectorate and Related Grades: Higher Certificate plus experience	MPS 13	21,330
5	Technician, Supervisory and Related Grades Group I: Certificate or apprenticeship plus experience	MPS 6	13,910
6	Technician, Supervisory and Related Grades Group II: Craft and skill plus experience, or apprenticeship plus experience	MPS 5	13,085
7	Grades requiring two passes at Advanced Level in HKALE plus three credits in HKCEE	MPS 8	15,805
8	Professional and Related Grades Group I: Membership of a professional institution or equivalent Group II: Grades with pay structure related to grades in Group I	MPS 27	41,495
9	Degree and Related Grades	MPS 14	22,405
10	Model Scale 1 Grades	MOD 0	10,155
11	Education Grades	Note 1	-
12	Other Grades	Note 2	-

Note 1 No benchmark is set for QG 11. The starting salaries for their basic ranks are determined having regard to established relativities with QG 9 (for Graduate Grades) and QG 3 Group I (for Non-graduate Grades).

Note 2 No benchmark is set for QG 12. The starting salary for each basic rank is determined by reference to (a) the established relativities with relevant grades in other QGs; or (b) where such relativities are not readily identifiable, the relevant educational requirement for the grades.

Appendix II

Starting Salaries Survey

List of relevant papers

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Panel on Public Service 22.7.1999	Legislative Council Brief issued by Civil Service Bureau on 20 July 1999 Minutes of meeting	File Ref: CSBCR/PG/4-085- 001/2/99 CB(1)350/98-99
Panel on Public Service 15.11.1999	Administration's paper on "Starting Salaries Review" Administration's paper on "Starting Salaries Review Implications for the Disciplined Services" Summary of submissions on the Civil Service Starting Salaries Review 1999 prepared by the Secretariat List of submissions Minutes of meeting	CB(1)317/99-00(02) CB(1)62/99-00 CB(1)288/99-00 CB(1)289/99-00 CB(1)1002/99-00
Establishment Subcommittee 12.1.2000	Paper Minutes of meeting	EC(1999-2000)28 ESC31/99-00

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Panel on Public Service 17.1.2000	<p>Legislative Council Brief issued on 15 December 1999</p> <p>A letter dated 25 January 2000 from the Secretary for the Civil Service on the impacts of the new civil service starting salaries on the staff employed by contractors/consultants under the Architectural Services Department</p> <p>Minutes of meeting</p>	<p>CB(1)616/99-00</p> <p>CB(1)894/99-00(01)</p> <p>CB(1)1004/99-00</p>
Establishment Subcommittee 26.1.2000	<p>Paper</p> <p>Minutes of meeting</p>	<p>EC(1999-2000)37</p> <p>ESC33/99-00</p>
Finance Committee 18.2.2000	<p>Paper</p> <p>Minutes of meeting</p>	<p>FCR(1999-2000)63</p> <p>FC73/99-00</p>
Panel on Public Service 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>CB(1)1870/06-07(01)</p> <p>CB(1)1916/06-07</p> <p>EC(2007-08)7</p>
Establishment Subcommittee 13.6.2007	<p>Paper</p> <p>Minutes of meeting</p>	<p>EC(2007-08)7</p> <p>ESC36/06-07</p>

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Finance Committee 6.7.2007	Paper Minutes of meeting	FCR(2007-08)26 FC127/06-07
Panel on Public Service 15.3.2010	Administration's paper on 2009 Starting Salaries Survey: findings and recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service Paper on starting salaries survey for the civil service prepared by the Legislative Council Secretariat (Background brief) Minutes of meeting	CB(1)1331/09-10(04) CB(1)1332/09-10 CB(1)1913/09-10
Panel on Public Service 24.5.2010	Administration's paper on 2009 Starting Salaries Survey: Application to the Civil Service (Legislative Council Brief) Paper on starting salaries survey for the civil service prepared by the Legislative Council Secretariat (Background brief) Minutes of meeting	File Ref.: CSBCR/PG/4-085-001/63 CB(1)1332/09-10 CB(1)103/10-11
Establishment Subcommittee 17.6.2010	Paper Minutes of meeting	EC(2010-11)9 ESC41/09-10
Finance Committee 2.7.2010	Paper Minutes of meeting	FCR(2010-11)27 FC166/09-10

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Panel on Public Service 20.2.2012	Administration's paper on "Starting Salaries Survey and Pay Level Survey" Updated background brief on starting salaries survey and pay level survey for civil service Minutes of meeting	CB(1)1028/11-12(03) CB(1)1028/11-12(04) CB(1)2452/11-12
Panel on Public Service 21.1.2013	Administration's paper on "2012 Starting Salaries Survey: Findings and Recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service" Updated background brief on the Starting Salaries Surveys for the civil service Minutes of meeting	CB(4)303/12-13(04) CB(4)303/12-13(05) CB(4)474/12-13
Panel on Public Service 15.4.2013	Legislative Council Brief on "2012 Starting Salaries Survey: Application to the Civil Service" Updated background brief on the Starting Salaries Surveys for the civil service Minutes of meeting	File Ref: CSBCR/PG/4-085-001/71 CB(4)545/12-13(03) CB(4)772/12-13
Panel on Public Service 16.2.2015	Administration's paper on "Starting Salaries Survey 2015" Updated background brief in Starting Salaries Surveys for the civil service Minutes of meeting	CB(4)488/14-15(05) CB(4)488/14-15(06) CB(4)833/14-15