

LEGISLATIVE COUNCIL BRIEF

DEVELOPMENT OF AN IMPROVED CIVIL SERVICE PAY ADJUSTMENT MECHANISM : CONDUCT OF THE PAY LEVEL SURVEY

INTRODUCTION

At the meeting of the Executive Council on 10 January 2006, the Council ADVISED and the Chief Executive ORDERED that –

- (a) subsequent to the last pay adjustment effected on 1 January 2005, the next round of civil service pay adjustment exercise should be carried out in 2006 when the findings of the current pay level survey are available;
- (b) the Chief Executive in Council's approval should be sought on how the findings of the current pay level survey would be applied in the subsequent civil service pay adjustment exercise; and
- (c) with the pay level survey collecting private sector pay data as at 1 April 2006, there should be no annual pay trend survey for 2005-06. The Administration should further consider the future of the pay trend survey under the improved civil service pay adjustment mechanism.

JUSTIFICATIONS

2. One important feature of the methodology of the pay level survey¹ is the carrying out of an intensive job inspection process for the civil service benchmark jobs with participation of management and staff to ensure that subsequent collection of pay data will be on the basis of broadly comparable private sector jobs. The Phase Two Consultant has since worked out a detailed approach for carrying out

¹ The broadly-defined job family method is adopted under which civil service pay will be compared with private sector pay on the basis of groups of jobs that are broadly comparable in terms of job content, work nature, level of responsibility and typical requirements on qualification and experience.

the job inspection process.²

3. Following consultation with grade/departmental management, the Consultative Group on Civil Service Pay Adjustment Mechanism (Consultative Group)³, Departmental Consultative Committees (DCCs) and staff unions/associations, the Consultant has finalised the job inspection approach in the light of the consultation feedback.⁴ Following the submission of an interim report detailing the finalised job inspection approach, the Consultant commenced the job inspection process in December 2005.

4. Upon completion of the job inspection process, the Consultant will produce a set of job descriptions for the identification of private sector benchmark jobs to serve as a basis for pay comparison with the civil service. In the light of the work progress and noting that it has been the Government's long-established practice to effect the annual civil service pay adjustments from 1 April of the year, the Consultant has recommended that the reference date of the current survey (i.e. the date on which to compare civil service pay with private sector pay) be set at 1 April 2006. Taking account of the time required for consolidation and analysis of the private sector pay data, it is expected that the entire survey will be completed in around July 2006.

5. The Consultant's recommendation to set the reference date of the current pay level survey on 1 April 2006 has balanced the need to conduct the survey professionally in full consultation with management and staff bodies and to complete the survey in a timely manner. We have accepted the recommendation.

6. With the reference date of the survey set on 1 April 2006, the survey would provide timely data for consideration of civil service pay adjustment in 2006.

7. In November 2004, we proposed, in broad terms, that if the pay level survey findings reveal that the civil service pay levels exceed the

² The job inspection approach covers *inter alia* the list of civil service benchmark jobs to be included for further examination in the job inspection process, the manner for collecting information of these jobs, the method by which holders of representative posts will be selected for attending the job inspection interviews, the rundown for the job inspection interviews and the format of the various documents relating to the civil service benchmark jobs.

³ The Consultative Group comprises staff representatives from the staff sides of the four central consultative councils and the four major service-wide staff unions.

⁴ In addition to the views expressed at the two technical sessions for the Consultative Group and the two briefing sessions for DCCs and staff unions/associations, a total of 46 written submissions on the job inspection approach were received. Of these, 5 were from grade/departmental management, 16 from the staff sides of the DCCs and 25 from staff unions/associations.

private sector pay levels, we should freeze the pay of serving officers at the prevailing level until it is caught up by the private sector pay level. But the disparity will be noted and will be taken into account, together with other relevant factors, in the subsequent annual civil service pay adjustment exercises before the next pay level survey. Based on the results of the pay level survey and other relevant factors, we will draw up new pay scales for application to new recruits. This is still our position. When the survey findings are available, we shall consider the detailed proposals on the application of the pay level survey results. We shall seek the advice of the advisory bodies on civil service salaries and conditions of service and further consult staff in due course.

8. Since we commenced the process of improving the civil service pay adjustment mechanism in April 2003, we have ceased to conduct the annual pay trend surveys, which normally capture the private pay changes up to 1 April each year. Now that the reference date of the current pay level survey is set on 1 April 2006, the survey will capture the private sector pay level as at that date. It will then neither be necessary nor appropriate to conduct a pay trend survey for 2005-06. We will further consider the future of the pay trend survey under the improved civil service pay adjustment mechanism.⁵

IMPLICATIONS OF THE PROPOSAL

9. The proposal is in conformity with the Basic Law, including the provision concerning human rights. It does not carry any practical financial implications for the Government, nor does it have significant sustainability implications.

10. Regarding the economic implications of the proposal, the conduct of pay level survey is an important component of the improved civil service pay adjustment mechanism, which is developed to ensure that civil service pay is broadly comparable to private sector pay. This would be commensurate with the need to attract personnel of the right calibre for the respective civil service posts on the one hand, yet not to an excessive degree as to breed wastage in financial resources on the other. Currently, the civil service makes up about 5% of the total workforce and civil service emoluments account for about 10% of the overall employment remuneration in the economy. Taking account of the subvented sector, the civil service and employees in subvented organisations together account for about 20% of the overall

⁵ The consultant engaged for the design of the pay level survey methodology has recommended that with the conduct of periodic pay level surveys every three to five years in future, we may consider using pay trend analyses available in the market instead of conducting customised pay trend surveys to ascertain the year-on-year movements in private sector pay trends. We will consider this and other feasible alternatives for the pay trend survey in consultation with staff representatives.

employment remuneration in the economy. A well-constituted civil service pay system compatible with the functioning of the labour market as a whole, whilst recognising the characteristics of specific civil service appointment, is conducive to a robust and efficient civil service and sound deployment of manpower resources for the economy at large.

PUBLICITY

11. The Secretary for the Civil Service will inform the three advisory bodies on civil service salaries and conditions of service, heads of departments, the staff sides of the four central consultative councils, the four major service-wide staff unions and all civil servants of the decision. A spokesman will be available to answer media enquiries.

SUBJECT OFFICER

12. Enquiries on this brief should be addressed to Mr. Eddie Mak, Principal Assistant Secretary for the Civil Service (Tel.: 2810 3112).

Civil Service Bureau
12 January 2006