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Panel on Public Service
Meeting on 21 January 2019

Background brief on
Civil Service Pay Level Survey and Starting Salaries Survey

Purpose

This paper provides background information and summarizes the past discussions by the Panel on Public Service ("the Panel") on the Civil Service Pay Level Survey ("PLS") and Starting Salaries Survey ("SSS").

Background

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.

Improved Civil Service Pay Adjustment Mechanism

3. To implement the afore-mentioned civil service pay policy, the Executive Council endorsed in 2007 an Improved Civil Service Pay Adjustment Mechanism ("Improved Mechanism") under which 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) an SSS every three years to compare the starting salaries of non-directorate civilian grades in the civil service with the entry pay of jobs in the private sector requiring similar qualifications and/or experience; and
- (c) a PLS every six years to ascertain whether civil service pay remains broadly comparable with private sector pay.

4. Since the implementation of the Improved Mechanism in 2007, three SSSs (the 2009, 2012 and 2015 SSSs) and one PLS (the 2013 PLS) have been conducted by the Standing Commission on Civil Service Salaries and Conditions of Service ("the Commission").¹ Following the completion of the 2013 PLS, the Commission considered that it was an opportune time to conduct a review on PLS in the light of the experiences gained in conducting the two previous PLSs. In the context of the 2015 SSS, the Commission further recommended that a specific study on Qualification Group ("QG") 8 (Degree and Related Grades)² be conducted as it observed certain unique features and characteristics of the entry ranks of QG 8 in the civil service and the degree graduate entry-level positions in the private sector.

Past discussions by the Panel

5. In general, members have requested that a review on PLS and SSS be conducted. The major views and concerns expressed by members in relation to PLS and SSS since the implementation of the Improved Mechanism are summarized in the following paragraphs.

Pay Level Survey

Need to conduct PLS

6. Some members questioned the need to conduct PLS, which required much time and resources to complete, given that the annual PTS could also

¹ The Commission is a body appointed by the Chief Executive to advise on the structure, salaries and conditions of service of the non-directorate civilian grades in the civil service.

² Basic ranks in the civil service are currently categorized into 11 different QGs according to their entry requirements. QG 8 was formerly known as QG 9 before the Government introduced refinements to the grouping and labelling of certain QGs for the 2015 SSS.

achieve the purpose of ascertaining whether civil service pay remained broadly comparable with private sector pay. It was suggested that the Administration should consider the viability of combining PLS and PTS into one survey. The Administration explained that PTS and PLS were two different types of surveys in that PTS aimed to ascertain the year-on-year pay adjustments in the private sector whereas PLS aimed to ascertain whether the level of civil service pay remained broadly comparable with that of the private sector pay. As PLS was more complex and had a wider scope and impact on the civil service, it would be a much more complicated exercise taking much longer time to complete as compared to PTS.

Survey methodology

7. In the context of discussing the 2013 PLS, members expressed concern about the criteria for selecting private sector organizations to be surveyed. They questioned why 15.6% of the selected private organizations came from the wholesale, retail and import/export sector despite its declining role in the economic activities in Hong Kong, and whether the selected private organizations included non-statutory public bodies.

8. The Administration explained that in determining the criteria for selecting private sector organizations to be surveyed for collecting pay information, the guiding principle was that in their entirety, the organizations to be included should provide a reasonable representation of pay levels prevailing in the Hong Kong market for reference. On this basis, one of the selection criteria adopted for the 2013 PLS was that the selected organizations should represent a breadth of economic sectors and have 100 or more employees. The distribution of the 128 organizations participating in the 2013 PLS organizations by nine economic sectors was also generally in line with the market situation as reflected by the Census and Statistics Department ("C&SD")'s statistics. According to C&SD's figures, the wholesale, retail and import/export sector accounted for 19.1% of the organizations employing at least 100 employees in Hong Kong in the third quarter of 2013, as compared with 15.6% of the organizations which provided data for the 2013 PLS belonging to the same sector. On whether non-statutory public bodies were covered by the survey, the Administration advised that another selection criterion for the 2013 PLS was that the organization should not use civil service pay scales or pay adjustments as major factors in determining the pay levels for pay adjustments for their staff, or should not have done so in the past five years.

9. On whether the survey reference date of PLS³ should be set taking into account the effective date of the new Statutory Minimum Wage ("SMW") rate, the Administration responded that it did not intend to give any directive to the Commission in this regard as the prevailing SMW rate might be just one of the various factors considered by the private sector in determining the pay levels. Besides, there would still be a time gap between the setting of a new SMW rate and the actual timing of making the comparison between the private sector pay and the civil service pay because the pay data collection process and other preparation work for the survey would take some time to complete.

Application of survey findings

10. Query was raised about the appropriateness of comparing civil service pay with that of the private sector in view of the inherent differences between the civil service and private sector and their respective uniqueness. The Administration responded that the Commission had taken such differences and uniqueness into consideration when recommending the application of the survey results. The comparison between civil service pay and private sector pay for each Job Level ("JL")⁴ under PLS was made on the basis of total cash compensation rather than basic cash compensation. The total cash compensation of the civil service included salary and fringe benefits paid in cash, such as housing allowances, local education allowance, overseas education allowance and school passage allowance. Similarly, the total cash compensation of the private sector included base salary, variable pay and fringe benefits paid in cash.

11. Some members were concerned that as private sector organizations, particularly those in the financing, insurance and real estate sectors, tended to remunerate their senior staff more generously than their junior staff, junior civil servants would more likely have their salaries adjusted downward should a 5% range be continued to be adopted as the acceptable range of difference between the civil service and private sector pay indicators for a JL in the next PLS

³ According to the Commission's Report on the 2013 PLS, the survey reference date was set for the purpose of data collection. Pay data from the private sector were collected during the 12-month period immediately preceding the survey reference date. In considering the survey reference date of the 2013 PLS, the Commission had taken into account the overall schedule of the survey, a date that would be close to the commencement of data collection and enable the Commission to submit its report to the Administration within around one year from the survey reference date, and the impact of the new SMW rate. Having considered the views from staff and various options for the date, the Commission decided to set the survey reference date of the 2013 PLS as 1 October 2013.

⁴ Civil service benchmark jobs are currently categorized into five JLs in PLS in accordance with different levels of responsibility and the typical requirements of qualification and experience. The five JLs are aligned with the respective ranges of pay points on the civil service pay scales.

exercise. In their views, PLS would widen pay disparity between senior and junior civil servants, which in turn would create conflicts among civil servants and aggravate disparity between rich and poor in Hong Kong. They queried whether the conduct of PLS should continue.

12. Some members, however, held another view that PLS should be retained unless a better alternative was identified, and the problem of the gap between rich and poor in Hong Kong should be addressed by other means. It was suggested that a larger range, say, plus/minus 8%, could be adopted as the acceptable range of difference between the civil service and private sector pay indicators for a JL in the next PLS exercise.

13. The Administration responded that the adoption of plus/minus 5% as the acceptable range of difference between the civil service and private sector pay indicators for a JL was a decision made by the Chief Executive-in-Council in 2007. Where the difference fell outside this range, the downward/upward adjustment to the relevant civil service pay points would be made to the upper/lower limit of the 5% range. The three advisory bodies on civil service salaries and conditions of service had been consulted on such arrangement. Nevertheless, the Administration would convey to the Commission for consideration the suggestion of adopting a larger range. The Administration further explained that apart from "broad comparability" with the private sector, the Commission would take into account other factors such as attractiveness and stability of civil service pay, inherent discrepancies in statistical surveys and elements of chance, and overall interest in its consideration on how the survey results should be applied to civil service pay. Since the implementation of the Improved Mechanism in 2007, the cumulative pay increase for civil servants in the upper salary band was 31.6% while that for civil servants in the middle and lower salary bands was 35.4% up to 2014. The Administration assured members that the Commission would adopt a holistic approach in applying the survey results to non-directorate civilian civil servants, and take into account the views of staff bodies.

14. Some members enquired whether the pay adjustment arising from PLS would be applied to the staff of public bodies and subvented welfare organizations to enable them to retain and attract good calibre staff. The Administration advised that as a general rule, the pay adjustment decisions would only be made to those subvented bodies which had not been delinked from civil service pay. According to the Administration, the salaries of some subvented bodies, though delinked from the civil service, were in fact higher than the salaries of the civil service.

15. On whether an upward pay adjustment would be considered for civil servants of technical grades/ranks in view of the notable wage increase of technical workers in the construction industry, 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.

Starting Salaries Survey

Need to conduct SSS

16. There was a query about the need to conduct SSS every three years given that the starting salaries of civil servants could be determined in the context of PLS. The Administration explained that SSS and PLS were essentially different from each other as the two surveys measured different aspects of private sector pay. PLS measured the total cash compensation in dollar terms paid to different jobs at different levels in the private sector at a particular point in time, whilst SSS compared the prevailing starting salaries of different basic ranks of civilian grades (categorized by minimum qualification requirements) with the entry pay of jobs in the private sector requiring similar qualification requirements.

Qualification Benchmarks

17. Members noted with concern about the widening pay difference between the civil service benchmark pay of QG 8 and the comparable upper quartile (P75) pay level in the private sector, which ranged from 8.8% in the 2012 SSS to 15.3% in the 2015 SSS. Some members expressed worry that the reduction in the starting pay of QG 8 would deter quality degree holders from aspiring to join the civil service and give the public an impression that university education had depreciated in value.⁵ To attract talents, the entry pay of civil servants should be higher than that of workers in the private sector given the inherent differences in the salary structure and career progression of the civil service.

18. The Administration stressed that pay was not the sole consideration for people joining the civil service. Other considerations were job security and the

⁵ The benchmark pay of QG 8 had been reduced by two pay points in 2010 following the 2009 SSS, but no reduction was recommended by the Commission in the 2012 and 2015 SSSs for the benchmark pay of QG 8.

opportunities to handle duties and acquire experience not available in the private sector, such as law enforcement and execution of public health policies.

19. In response to the enquiry about the methodology for obtaining the market P75 pay level for QG 8, the Administration explained that a series of criteria were adopted to select private sector organizations for participation in SSS. 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. Having regard to the past practices and the consideration that the government should be a good employer, the Commission had adopted the P75 pay level as the basis for comparison with the civil service benchmark for individual QGs.

20. 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 or Associate Degree Grades).⁶ 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.

21. There was another suggestion of incorporating the qualifications recognized under the Qualifications Framework launched by the Education Bureau into the Qualification Benchmark System for the conduct of SSS in future. In response, the Administration explained that the basis for data collection and comparison was the education qualification and/or experience requirement as specified for each of QGs under the Qualification Benchmark System for the civil service and not any other framework.

22. In response to the enquiry as to whether only entry-level jobs taken up by fresh graduates were covered in SSS, the Administration advised that most of the entry-level jobs covered in SSS did not have any experience requirement. For QGs with an experience requirement, the information collected from the participating organizations followed the experience requirement specified in the respective QGs, which ranged from two to five years.

Extension of service of civil servants

23. On whether the raising of the retirement age of civil service new recruits to 65 for civilian grades and to 60 for disciplined services grades would be one

⁶ QG 3 Group I was formerly titled "Higher Diploma Grades" before the Government introduced refinements to the grouping and labelling of certain QGs for the 2015 SSS.

of the factors to be taken into account in the 2015 SSS, the Administration advised that it was up to the Commission to decide whether or not to take into account higher retirement age in making its recommendations. The Administration considered that a higher retirement age for civil service new recruits should not have a direct bearing on SSS.

Latest position

24. On 26 April 2017, the then Secretary for the Civil Service invited the Commission to conduct a review on PLS and SSS before kicking off the next round of the two surveys. The review covered the survey methodologies, a specific study on QG 8 and a research on civil service pay arrangements in overseas countries. The Commission submitted its report on the review of PLS and SSS⁷ to the Chief Executive on 17 December 2018. The Administration will brief the Panel on the findings and recommendations of the Commission in relation to the review at the meeting on 21 January 2019.

Relevant papers

25. A list of relevant papers is in **Appendix**.

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17 January 2019

⁷ The Commission's Report No. 59: Review on Civil Service Pay Level Survey and Starting Salaries Survey is available at https://www.jsscs.gov.hk/reports/en/59/R59_e.pdf.

Appendix

Civil Service Pay Level Survey and Starting Salaries Survey

List of relevant papers

Meeting	Date of meeting	Paper
Panel on Public Service	15 March 2010	Paper provided by the Administration Background brief prepared by the Legislative Council Secretariat Minutes
	24 May 2010	Legislative Council Brief (issued on 19 May 2010) Background brief prepared by the Legislative Council Secretariat Minutes
	20 February 2012	Paper provided by the Administration Updated background brief prepared by the Legislative Council Secretariat Minutes

Meeting	Date of meeting	Paper
Panel on Public Service	21 January 2013	Paper provided by the Administration Updated background brief prepared by the Legislative Council Secretariat Minutes
	15 April 2013	Legislative Council Brief (issued on 19 March 2013) Updated background brief prepared by the Legislative Council Secretariat Minutes
	17 November 2014	Paper provided by the Administration Background brief prepared by the Legislative Council Secretariat Minutes
	16 February 2015	Legislative Council Brief (issued on 11 February 2015) Minutes

Meeting	Date of meeting	Paper
Panel on Public Service	21 March 2016	Paper provided by the Administration Updated background brief prepared by the Legislative Council Secretariat Minutes
	16 May 2016	Legislative Council Brief (issued on 10 May 2016) Minutes