

**Legislative Council Panel on Public Service
Follow-up to the Meeting on 17 June 2002**

**Agenda Item IV: Review of Civil Service Pay Policy and System –
Interim Report on the First Phase of the Review**

INTRODUCTION

At the meeting of the Legislative Council Panel on Public Service held on 17 June 2002, Members requested information on how the pay trend survey and pay level survey are conducted. Members also asked why data collected in the annual pay trend survey could not be used as the basis for deriving the pay levels in the private sector.

PAY TREND SURVEY AND PAY LEVEL SURVEY

2 The Government's policy on civil service pay adjustments is that adjustments should be considered annually. In deciding on the size of the annual adjustment, the following factors are taken into account: the net pay trend indicators (PTIs) derived from a private sector pay trend survey, the state of the economy, budgetary considerations, changes in the cost of living, the staff sides' pay claims and civil service morale. The private sector pay trend survey is commissioned annually by the independent Pay Trend Survey Committee, which reviews the methodology of the survey each year. The survey produces three gross PTIs (comprising the PTI for basic pay and the PTI for additional payments such as year-end bonuses), which represent the movements in private sector pay for different salary bands during the period from 2 April of the previous year to 1 April of the survey year. Starting from 1989, the payroll costs of civil service increments are deducted from the gross PTIs to produce net PTIs. Such net indicators, together with other aforementioned factors, form the basis for a decision on the size of the civil service pay adjustment.

3 As regards pay level surveys, the last one was conducted in 1986 to establish whether remuneration for the civil service was in line with that of the private sector. The question of whether another pay level survey should be carried out, including its timing, methodology, scope, etc., is one of the areas being looked into by the Task Force on Review of Civil Service Pay Policy and System.

Different Purposes

4 The annual pay trend survey tracks the year-on-year *movements* in the pay levels for different salary bands (as opposed to ascertaining the actual pay levels for different jobs) in the private sector (e.g. the 2001/2002 pay trend survey tracks the movements of basic pay and additional payments for different salary bands during the period as from 2 April 2001 to 1 April 2002 compared to the previous year). The survey results are used by the Government as one of the factors in deciding the size of the annual civil service pay adjustment.

5 A pay level survey, on the other hand, serves to compare the pay and other remuneration components of employees in the public and private sectors. Take the 1986 pay level survey as an example, a comparison was made on the total remuneration packages, covering both pay and fringe benefits, of civil servants and private sector employees. The objective of the comparison was to establish whether the remuneration of civil servants was broadly in line with that of their private sector counterparts.

Different Data Collected

6 The annual pay trend survey captures data on the year-on-year percentage change in the pay of private sector employees. It does not collect data on the actual amounts of salary or salary changes for specific jobs. Furthermore, fringe benefit provisions and the pay level of individual jobs are not covered by the pay trend survey.

7 In a pay level survey, the actual salary levels and the values of fringe benefits are key data to be collected. Using the 1986 pay level survey as an example, the consultant adopted a job evaluation method whereby a representative sample of civil service jobs were compared with a similarly representative sample of jobs in the private sector based on three elements: know-how, problem-solving and accountability. The total number of points scored for each job were then calculated and matched with the salary and the total remuneration of the job. Fringe benefits were valued on the basis of their maximum notional value to employees. The total remuneration packages of civil service and private sector jobs with similar evaluation points were then compared to find out whether the pay level of civil servants was broadly in line with that of their counterparts in the private sector.

OBSERVATION

8 As can be seen from paragraphs 4-7 above, the pay trend survey only tracks movements (i.e. rates of change), but not the actual levels, in private sector pay. As such, its results cannot be used as the basis for comparing the pay levels of civil servants with those of their counterparts in the private sector.

Joint Secretariat for the Advisory Bodies on
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