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21st October 2009

The Honourable Members
Legislative Council Bills Committee

Dear Sir / Madam,

2009 Public Officers Pay Adjustment Bill

We write to thank you for listening to our views at the Bills Committee meeting on Saturday, 17th October 2009. **We would urge members to vote against the Bill or consider amendments to the Bill.** We therefore make this further submission to clarify some comments made by the Permanent Secretary for the Civil Service and also to identify issues that may be of interest when members consider this Bill.

Firstly, in relation to the previous pay cuts by legislation in 2002, 2004 and 2005, it is not correct to say that the amounts cut in each year followed an established mechanism. The pay cuts of 3% in 2004 and 2005 were based upon an arbitrary figure of 6% decided by the then Secretary for Civil Service, Joseph WONG Wing-ping to bring pay back to 1997 levels. There were no Pay Trend Surveys conducted between 2003-2006 inclusive, so it would have been impossible to follow the “established mechanism”.

One member has correctly pointed out that pay cuts by legislation is not an appropriate way to deal with civil service pay and that proper consultation is a more appropriate mechanism. We fully support this position and would like to see a pay adjustment mechanism developed in future years that is based on principles that can assure a stable civil service and involve genuine consultation with staff on their pay claims. There is a need to engage staff and reach agreements on pay and a proviso not to cut civil service pay.

In respect of the **six factors** considered by the CE in Council for this years pay adjustment, the Bills Committee meeting has rightly focused on the

Administrations consideration of the factors of Staff Morale and Pay Claims. The Permanent Secretary outlined the position of the Administration when looking at morale in the lower and middle bands and that it was determined there was a need for compassion to consider the affordability of proposed pay cuts in these bands. The Administration when looking at the 'upper band' morale had decided "affordability" was less of an issue. Members rightly questioned the Administrations logic and assessment of staff morale. They pointed out a pay cut of 5.38% for the upper band was large by any standard and would clearly impact those earning substantially less than \$100,000HK on an upper band that starts at \$48,401HK. **We agree that a cut of 5.38% is too heavy a burden and would lead to a serious deterioration in morale.**

Another member has rightly pointed out that a cut of 5.38% is unprecedented – the cut of 4.42%, 1.64% and 1.58% for the upper, middle and lower bands respectively in 2002, and across the board cuts of 3% in 2004 and 2005, cannot compare with the proposed cut this year.

We wish to reiterate our stance that the figure of 5.38% arises from **tainted** survey results for two companies and as such is totally unacceptable. Any proposed pay cut by legislation should be based upon the PTS data that is unambiguous and properly validated removing the data of the two disputed companies. We have no dispute with the data collected from **119** companies in the properly endorsed for the survey field of **139**. We have on 11th June 2009 made the same request in our pay claim submitted to the Secretary for Civil Service, namely pay adjustment:-

	Upper Band	Middle Band	Lower Band
Validated Results* (Gross PTI)	-1.59%	+0.83%	+0.75%
Less annual cost of increment	-0.59%	-0.64%	-0.79%
Pay Adjustment (Nett PTI)	-2.18%	+0.19%	-0.04%

* based on PTS data of **119** companies

These figures would support a pay freeze for the lower and middle bands and a pay cut of 2.18% for the Upper Band which is 'affordable' and based upon survey data that is not in dispute or open to legal challenge.

Other members have picked up on the idea of affordability, given that the so-called "upper band" in this context includes even the lowest level managers in the civil service. There was discussion in the Bills Committee meeting on 17th October as to the **appropriate threshold** for the proposed legislation, with one member citing the figure of HK\$100,000- as an example. In fact, there already exists within the

existing mechanism a natural breakdown within the upper band and above, namely the 5-band system used in the data collection of the Pay Level Survey (conducted every 6 years with the last in 2006).

In the Pay Level Survey (and for the Pay trend Survey since 2007) the data is collected in 5 bands, with the Upper and Middle Bands being divided into two tiers. For 2009 the upper band Tier I covers salaries from HK\$48,401-77,675 and tier II covers HK\$77,676-97,545. In the Police Force, the natural thresholds in the command ranks can therefore be seen as follows:-

Tier I	HK\$48,401-77,675 (i.e. IP / SIP / CIP/1st increment of SP)
Tier II	HK\$77,676-97,545 (i.e. 2nd increment & above SP / SSP)
Directorate	HK\$106,400 and above (i.e. CSP and above)

By way of comparison, members will note that the current pay of political appointees, who have pledged to stand shoulder to shoulder with the civil service in talking a pay cut, ranges from **HK\$134,150 up to HK\$223,586**.

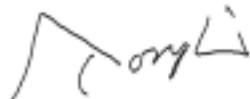
Although the Administration has said it will not withdraw or amend the POPA Bill, we would urge members to propose amendments to find the middle ground that will avert a serious deterioration in morale.

The PFC SS is of the opinion that the established mechanism must be followed, with adjustment in line with the results of the data supplied by 119 companies endorsed for the survey field, i.e. **a pay freeze across all bands up to a threshold of either Tier II or Directorate before adopting a pay cut of 2.18%**.

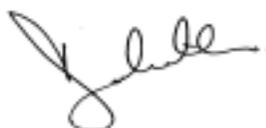
Yours faithfully,



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