

**Bills Committee on Public Officers Pay Adjustment Bill**  
**Comments of the Association of Expatriate Civil Servants**

The Association of Expatriate Civil Servants (AECS) has the following comments on the proposed Public Officers Pay Adjustment Bill.

**General Comments**

2. This proposed legislation represents yet another unilateral change to the terms of employment of Hong Kong civil servants, who since 1997 have been subjected to a continual diminishing of their terms and conditions of service.

3. In the face of Hong Kong's current economic recovery, these proposals are glaringly ill-timed. They are also highly divisive. All 160,000 civil servants were subject to the same pay trend survey exercise, however the proposed pay cut has been cynically targeted at only 18,000 civil servants, whose interests are to be sacrificed in order to appease public sentiment and avert wider industrial unrest.

4. By resorting again to legislation to implement this pay 'adjustment', the Government is depriving the civil servants affected of any opportunity to litigate the pay cut in order to test its fairness.

5. This and other recent initiatives<sup>1</sup> have confirmed civil servants' worst fears, that the Government intends to treat their employment contracts as open to modification at any time, and to any extent, it deems expedient. The inappropriate politicising of their terms and conditions of service has led many Hong Kong civil servants to conclude that their employment contracts (supposedly protected by law) are 'no longer worth the paper they are written on'.

6. Morale within the civil service, particularly at the senior ranks, has reached such a low-point that we believe careful and sensitive handling of it is required in order to prevent irreparable long-term damage to the service. Taking forward the Public Officers Pay Adjustment Bill is emphatically the wrong move to take at the wrong time.

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<sup>1</sup> Such as the study carried out by the Committee on Review of Post-Service Outside Work for Directorate Civil Servants. See, in particular, the recommendations in their July 2009 report. (The AECS has made a comprehensive submission to Government on the findings of this report.)

## Civil servants' morale - the untold story

7. Before 1997, the Hong Kong civil service was held in high esteem as one of the best civil services in the world. The vital importance of a clean, efficient and dedicated civil service to Hong Kong's overall stability and prosperity was fully recognised, and Hong Kong civil servants were respected and remunerated accordingly.

8. Since that time however (in sharp contrast to the way in which other essential parts of our system, such as the Judiciary, are perceived and treated), Hong Kong's civil servants have been subjected to an unremitting campaign of reputation and credibility 'bashing' in the media, and the steady erosion of their terms and conditions of service by their employer.

9. One would assume that this drastic change in treatment and public perception would be due to a sharp fall-off in civil servants' performance since 1997. We must point out for the record that this has not been the case. The evidence from authoritative international studies has shown that the performance of Hong Kong's civil service has not only continued at the high level maintained before 1997, but has in fact improved since then.<sup>2</sup>

10. Hong Kong civil servants are hardworking and dedicated and have made an enormous contribution over the past 12 years to Hong Kong's smooth transition to 'one country, two systems'. Instead of being valued and rewarded for their efforts, however, Hong Kong civil servants are now held in contempt and low-standing by the general public and can only watch as their once secure terms of employment are steadily chipped away.

11. The special significance of this latest blow from the Government is that it comes at a time when Hong Kong's economy is recovering. All other employee groups in Hong Kong can therefore look forward to improvements in their employment situations in the coming months. In contrast, a very narrow group of dedicated civil servants will have their pay cut in order to respond to considerations wholly unrelated either to their levels of performance or the economic viability of their employer.

12. In our view, the problem of inappropriate timing of pay measures affecting civil servants is a serious one that needs to be addressed for the future. Unlike the Judiciary, for example, which is also paid from the public purse, Hong Kong civil servants are expected to 'share the pain' with the rest of the Hong Kong community when economic times are hard. This is an understandable viewpoint and civil servants have shared the pain by receiving three pay cuts and a pay freeze over the last 12 years.

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<sup>2</sup> See, for example, Legislative Council Panel on Public Service, "Integrity Enhancement Initiatives for Civil Servants" (LC Paper No CB(1)1646/08-09(04)) at: <http://www.legco.gov.hk/yr08-09/english/panels/ps/papers/ps0529cb1-1646-4-e.pdf>

13. Over the same 12 years however, Hong Kong has also enjoyed 'good times', when bumper salaries and bonuses were being paid to many in the private sector. Hong Kong civil servants, whose significant contribution to the stability and prosperity of Hong Kong helped to make these 'good times' happen, feel that they are expected to share the pain, but not the corresponding benefits when Hong Kong's economy goes through its upturn cycles.

14. Part of the problem appears to be that the mechanism for setting civil service salaries lags behind that of the private sector. Another issue is that promotion prospects are limited for most grades of staff and there is no proper mechanism for civil servants to receive performance bonuses. (The current system of pay increments within a particular rank does not satisfy this, as a significant proportion of civil servants have already been languishing at the top increment level of their rank for many years.)

15. The cumulative effect of the pay cuts and pay freeze already meted out to civil servants since 1997 is that their salaries, particularly for those at the senior ranks, are now at, if not below, those prevailing before reunification.<sup>3</sup> This is despite the fact that Article 100 of the Basic Law of Hong Kong states:

*"Public servants serving in all Hong Kong government departments, including the police department, before the establishment of the Hong Kong Special Administrative Region, may all remain in employment and retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before."*

16. It was on the basis of these supposedly enshrined protections, as well as statements of assurance made by many senior officials in the run-up to 1997, that both local and overseas civil servants chose to remain through the transition and continue working for the Government in Hong Kong after reunification. As history shows however, their legitimate expectations in the light of these promises have been sorely disappointed.

17. In 2004, the (then) Secretary for the Civil Service assured civil servants that the (then) pay cut to be imposed by legislation in 2005 (the third, in addition to a pay freeze, since 2002) was to be the last, as after this, a pay trend survey mechanism would be established.<sup>4</sup>

18. A pay trend mechanism has since been put in place, but the Government has still chosen to implement this current pay cut by legislation, thereby blocking civil servants from challenging the fairness of the pay cut through the courts.

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<sup>3</sup> Inflation over the last 12 years should be also taken into account.

<sup>4</sup> "Civil servants in Hong Kong have been assured that the government has no further plan to reduce their salaries after the second phase of pay cuts in January next year (2005). Secretary for Civil Service Joseph Wong made the assurance Sunday after a ceremony commending 75 civil servants from 37 departments for outstanding performance. Speaking after the presentation of the Secretary for the Civil Service's Commendation Awards to the winners, Wong revealed that the government was discussing the application of Pay Level Survey findings in future with major staff unions." See China Daily HK Edition, "No further pay cuts for HK civil service" (20 Sept 2004) at: [http://www.chinadaily.com.cn/english/doc/2004-09/20/content\\_375912.htm](http://www.chinadaily.com.cn/english/doc/2004-09/20/content_375912.htm)

This is wholly unreasonable, particularly given the concerns and objections expressed by civil servants and the police about the particular methodology used for the survey.

19. Pay cuts affect not only civil servants' immediate salaries but also the calculation of their long-term pension benefits earned through years of dedicated service. They also have a negative effect on the overall structure of salary differentials between individual ranks of the civil service.

20. This latter problem is compounded by the fact that the Government has failed to take forward various grade structure reviews of the civil service. These studies, completed well before the financial downturn hit last year, recommended important changes to various civil service grade structures to alleviate long-standing problems.<sup>5</sup> The prompt implementation of these reviews would have seen some salary improvements to a number of civil servants and would have helped improve overall morale. The Government has deferred action on these proposals, however, because of intervening economic conditions. For the Government to now impose a pay cut as well, is to doubly prejudice those civil servants who are affected.

21. In stark contrast, we note that Britain, which has suffered far worse than Hong Kong in the recent economic turmoil, proposes only to freeze the salaries of its top civil servants (as well as judges, top health officials and doctors). We note, somewhat ruefully, that this move is being described as, "*the toughest public sector pay deal for at least 30 years*".<sup>6</sup>

## Conclusion

22. While the Government's politically appointed officials may come and go, career civil servants remain the backbone of the Hong Kong Administration. Their role in maintaining a stable and corruption-free environment in Hong Kong, so that social and economic life here can prosper, should be properly rewarded, not grossly underestimated and continually disparaged. Hong Kong civil servants certainly deserve to be treated fairly.

23. We therefore urge the Government to halt its action on the Pay Adjustment Bill and re-think the matter.

24. We also urge the Government to take a hard look at the sharp decline in civil service morale and its implications for the viability of the civil service long-term, and to begin to take urgent steps to address this matter.

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<sup>5</sup> For example, the last survey which had been carried out for the civil service directorate was completed in 1989.

<sup>6</sup> See South China Morning Post, "Britain seeks to freeze pay of top workers" (6 October 2009).