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**PANEL ON WELFARE SERVICES
OF THE LEGISLATIVE COUNCIL**

**Salary Adjustment of Non-Governmental Organisations under the
Lump Sum Grant Subvention System**

Purpose

The Fight for Social Welfare Alliance (the Alliance), on behalf of a group of ex-staff of subvented non-governmental organisations (NGOs), has written to the Legislative Council (LegCo) to express concern about the 2008-09 salary adjustment arrangements adopted by 19 subvented NGOs. This paper provides background information on the issue and the Administration's comment on the matter.

**Implications of the 2008-09 Civil Service Pay Adjustment on the
Subvented Welfare Sector**

2. In line with the mechanism stipulated in the Lump Sum Grant (LSG) Manual (2nd edition published in October 2000), the LSG of 162 subvented NGOs has been adjusted in accordance with the 2008-09 Civil Service Pay Adjustment. Accordingly, supplementary subvention totalling \$338.40 million (representing 5.37% of these NGOs' original 2008-09 personal emolument allocation, amounting to \$6,302.98 million) was allocated to the NGOs concerned in September 2008. In view of the nature of the supplementary subvention, the Administration has informed the NGOs that this supplementary subvention is expected to be spent on adjusting the pay of their staff.

Salary Adjustment Arrangements of Subvented NGOs

3. Following the introduction of the LSG Subvention System in 2001, the Social Welfare Department (SWD) no longer imposes input

controls on the NGOs concerned in terms of staffing structures, levels of pay and individual items of expenditure. The monitoring of NGOs has since been shifted from input control to output and outcome monitoring.

4. In this regard, the salary structures of staff in subvented NGOs on LSG have been delinked from those of the civil service. As stipulated in the LSG Manual, NGOs have flexibility in determining their own staffing structures and remuneration levels and in deploying their LSG (excluding the provision of provident fund) for staff expenses including salary, allowances and personnel-related expenses (e.g. fringe benefits).

5. Such flexibility and autonomy can allow subvented NGOs to devise and implement their own staffing and remuneration structures to best suit their unique financial management and human resource management (HRM) needs. For examples, NGOs may:

- (a) introduce performance-tied remuneration system as an incentive to good performance;
- (b) align the remuneration systems of subvented and non-subvented staff if necessary for staff management purposes; or
- (c) be more responsive to market trends and offer appropriate salary packages to attract and retain staff.

The Alliance's Concerns

6. Upon receiving the referral from the LegCo Secretariat regarding the Alliance's concerns, SWD has obtained information from the 19 relevant NGOs on their salary adjustment mechanisms. The information is summarised as follows:

- (a) the salary adjustment policies of the NGOs have been endorsed by their governing boards in accordance with the respective NGOs' constitutions or internal guidelines;
- (b) staff of the NGOs had been duly consulted or informed of the policies before the policies were implemented;
- (c) the salary adjustment policies are in line with the prevailing

HRM policies and procedures of the respective NGOs; and

- (d) the salary adjustment policies are not inconsistent with the terms and conditions of the employment agreements or contracts of individual staff members.

7. SWD also notes that, as a matter of HRM policy, some subvented NGOs do not offer back-pay to staff who have left the employment of the NGOs before the annual salary adjustment is determined. HRM policies as such are part and parcel of the NGOs' corporate governance. As the salary adjustment policies of the 19 NGOs concerned do not involve misuse of public money and are implemented in the manner described at paragraph 6 above, the NGOs have not deviated from the rules of the LSG Subvention System.

Advice Sought

- 8. Members are invited to note the content of this paper.

Social Welfare Department
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