

ITEM FOR FINANCE COMMITTEE

2010-11 CIVIL SERVICE PAY ADJUSTMENT

Members are invited to –

- (a) approve, with effect from 1 April 2010, an increase in pay –
 - (i) by 1.60% for civil servants in the directorate and upper salary band; and
 - (ii) by 0.56% for civil servants in the middle and lower salary bands;
- (b) approve the same pay adjustment to Independent Commission Against Corruption staff;
- (c) approve the same pay adjustment to teaching and non-teaching staff of aided schools who are remunerated according to the civil service pay scales, and to those subvented sector staff who are remunerated according to the civil service pay scales;
- (d) approve corresponding adjustment to the provisions for those subvented bodies whose funding are price-adjusted on the basis of formulae including a factor of civil service pay adjustment; and
- (e) note the financial implications of about \$1,153 million arising from items (a) to (d) above.

/PROBLEM

PROBLEM

We need to adjust civil service pay in accordance with the decision of the Chief Executive (CE)-in-Council. We also need to make corresponding adjustments to the pay of Independent Commission Against Corruption (ICAC) staff; to the pay of staff in aided schools and the subvented sector who are remunerated according to the civil service pay scales; and to the provisions for those subvented bodies whose funding are price-adjusted on the basis of formulae including a factor of civil service pay adjustment.

PROPOSAL

2. We propose that –

- (a) with effect from 1 April 2010, civil service pay be increased –
 - (i) by 1.60% for civil servants in the directorate and upper salary band;
 - (ii) by 0.56% for civil servants in the middle and lower salary bands;
- (b) the same pay adjustment be applied to ICAC staff;
- (c) the same pay adjustment be applied to teaching and non-teaching staff of aided schools who are remunerated according to the civil service pay scales, and to those subvented sector staff who are remunerated according to the civil service pay scales; and
- (d) corresponding adjustment be made to the provisions for those subvented bodies whose funding are price-adjusted on the basis of formulae including a factor of civil service pay adjustment.

3. Upon approval of the proposals at paragraph 2(a) and (b) above, the revised civil service pay scales and the revised ICAC pay scale will be as set out at

Encl. Enclosure.

/JUSTIFICATION

JUSTIFICATION

(A) Civil Service Pay Adjustment

Civil service pay policy

4. The Government's civil service pay policy is to offer remuneration sufficient to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service; and such remuneration is to be regarded as fair by both civil servants and the public they serve by maintaining broad comparability between civil service and private sector pay. Civil service pay is checked against market pay on a regular basis through three different types of surveys, namely (a) a pay trend survey (PTS) every year to ascertain the year-on-year pay adjustment movements in the private sector; (b) a starting salaries survey every three years to compare the starting salaries of civil service civilian grades with the entry pay of jobs in the private sector requiring similar academic qualifications and/or experiences for appointment; and (c) a pay level survey (PLS) every six years to ascertain whether civil service pay is broadly comparable with private sector pay.

The PTS mechanism

5. The annual PTS is commissioned by the tripartite PTS Committee, comprising representatives of the staff sides of the four central consultative councils¹, management representatives, and private-sector members from two independent advisory bodies on civil service salaries and conditions of service². It collects pay adjustment data from both larger (i.e. with 100 or more employees) and smaller (i.e. with 50 to 99 employees) companies, which are assigned a 75% and 25% weighting respectively. The data collected from the two groups of companies are collated, in accordance with the assigned weighting, into three gross pay trend indicators (PTIs), one each for the upper, middle and lower salary bands³. The

/payroll

1

The four central consultative councils are the Senior Civil Service Council, the Police Force Council, the Disciplined Services Consultative Council and the Model Scale 1 Staff Consultative Council.

2

The two independent advisory bodies are the Standing Commission on Civil Service Salaries and Conditions of Service and the Standing Committee on Disciplined Services Salaries and Conditions of Service.

3

The pay ranges of the three salary bands as at 31 March 2010 are –

- (a) Upper: Above Master Pay Scale (MPS) 33 to General Disciplined Services (Officer) Pay Scale 39 or equivalent, i.e. \$48,401 to \$95,360;
- (b) Middle: From MPS 10 to 33 or equivalent, i.e. \$15,785 to \$48,400; and
- (c) Lower: Below MPS 10 or equivalent, i.e. below \$15,785.

payroll cost of increments incurred for civil servants in each salary band (expressed as a percentage of the total salary payment) is deducted from the relevant gross PTI to arrive at the net PTI⁴.

The annual pay adjustment process

6. Upon the completion of a PTS, we seek the CE-in-Council's advice on the pay offers to be made to the staff sides of the four central consultative councils, having regard to six factors, namely (a) the net PTIs; (b) the state of the economy; (c) changes in the cost of living; (d) the Government's fiscal position; (e) the pay claims of the staff sides; and (f) the state of civil service morale. If the pay offers advised by the CE-in-Council are different from the staff sides' pay claims, we consult the staff sides again and then the CE-in-Council will make a final decision.

The results of the 2010 PTS

7. The gross PTIs of the 2010 PTS (covering the 12-month period from 2 April 2009 to 1 April 2010) and the consequential net PTIs in respect of the three salary bands in the civil service are set out below –

<u>Salary Band</u>	<u>Gross PTI</u> [A]	<u>Payroll cost of increments</u> [B]	<u>Net PTI</u> [A] minus [B]
Upper	2.20%	0.60%	1.60%
Middle	1.29%	0.73%	0.56%
Lower	0.90%	0.74%	0.16%

Civil service pay adjustment rates

8. After taking into account the various factors set out in paragraph 6 above, the CE-in-Council has decided, with effect from 1 April 2010, –

/(a)

⁴

The deduction of payroll cost of increments from the gross PTIs to arrive at the net PTIs was recommended by the Committee of Inquiry in 1989 in view of its other recommendation to include private sector merit pay and increments in the annual PTS. The Committee considered that for the sake of fairness, if all take-home pay in the private sector was taken into account in the PTS, the increment payment made to civil servants who had not yet reached the maximum pay point of their rank should also be taken into account.

- (a) the pay for civil servants in the directorate and upper salary band should be increased by 1.60%, i.e. equal to the net PTI for the upper salary band;
- (b) the pay for civil servants in the middle salary band should be increased by 0.56%, i.e. equal to the net PTI for the middle salary band; and
- (c) the pay for civil servants in the lower salary band should be increased by 0.56%, by invoking the “bring-up” arrangement (i.e. to align the pay adjustment for the lower salary band to the net PTI for the middle salary band if the net PTI for the lower salary band is less than that for the middle salary band).

9. On item (c) above, the application of the “bring-up” arrangement for the lower salary band in 2010-11 does not imply that it will necessarily be applied in future years when the net PTI for the lower salary band is lower than that for the middle salary band. The CE-in-Council will continue to decide each year, having regard to all the relevant factors set out in paragraph 6 above, what pay adjustment, if any, should be made to different groups of civil servants. In addition, should the next (or subsequent) PLS reveal a differential of more than plus/minus 5% in the pay (inclusive of any embedded “bring-up” portion) between civil servants of a particular job level and their counterparts in the private sector, then adjustment (either upward or downward) will be made to bring the pay of the concerned civil servants back to the limit (upper or lower as appropriate) of the plus/minus 5% acceptable range, in accordance with the agreed framework.

(B) Adjustment to the Pay for ICAC Staff

10. Although ICAC staff are not civil servants, the Government’s policy is to extend the civil service pay adjustment to them. We accordingly propose that the civil service pay adjustment for 2010-11 should be applied to ICAC staff.

(C) Adjustments for the Subvented Sector

11. The teaching and certain non-teaching staff of aided schools are remunerated according to the civil service pay scales. We therefore propose that their pay should be adjusted in the same manner as their civil service counterparts.

12. Other than what is stated in paragraph 11 above, the Government, as a general rule, is not involved in the determination of pay or pay adjustment of staff working in subvented bodies (e.g. the Hospital Authority, social welfare non-governmental organisations, institutions funded by the University Grants Committee, etc.). These are matters between the concerned bodies as employers and their employees. That said, it has been the established practice that following a civil service annual pay adjustment, the Government will adjust the provisions for subvented bodies whose funding are price-adjusted on the basis of formulae including a factor of civil service pay adjustment. The additional provisions will in general be calculated in accordance with the weighted average of the pay rise decided for the civil service⁵. It would be up to individual subvented bodies, as employers, to decide whether to increase the salaries of their own employees and, if so, the rate of increase. We will, through the relevant Controlling Officers, remind the subvented bodies concerned that the additional subventions from the Government are meant to allow room for pay adjustment for their staff.

FINANCIAL IMPLICATIONS

13. The annual financial implications for the civil service, ICAC, the subvented sector and the Auxiliaries⁶ arising from the proposed pay adjustment are as follows –

	\$ million
(a) Civil Service	516 ⁷
(b) ICAC	7
(c) Subvented Sector	628 ⁸
(d) Auxiliaries	2
Total	1,153

/14.

⁵ If the proposed civil service pay adjustment is approved, the weighted average of civil service pay rise will be 0.86%.

⁶ With reference to the civil service pay adjustment, we will make adjustment to the pay of members of the Auxiliaries in accordance with the established adjustment mechanism. Such adjustment will be approved by the Secretary for Financial Services and the Treasury under delegated authority.

⁷ The figure includes about \$57 million additional cost arising from pay adjustment for around 20 000 civil servants seconded to/working in trading funds, subvented and other public bodies. It also includes an estimated increase of \$32 million in pension payments for those retiring in 2010-11.

⁸ This figure has excluded the financial implications arising from pay adjustment for civil servants seconded to/working in subvented bodies, which have been incorporated under item (a) above.

14. We have not made provisions in the relevant Heads of Expenditure for the proposed pay adjustment in the 2010-11 Estimates. While it is not possible to quantify at this stage the exact amount of supplementary provision needed under each Head of Expenditure, we expect that the savings, if any, and the general reserve set aside in the 2010-11 Estimates would be sufficient to cover the additional expenditure arising from the proposed pay adjustment for the year. Subject to Members' approval of the proposal, we shall approve under delegated authority the supplementary provision required under individual Heads of Expenditure.

PUBLIC CONSULTATION

15. We briefed the Legislative Council Panel on Public Service on the 2010-11 civil service pay adjustment exercise at its meeting held on 21 June 2010.

Civil Service Bureau
Financial Services and the Treasury Bureau
June 2010

Directorate Pay Scale

Point	(as at 31.3.2010) \$	(w.e.f. 1.4.2010) \$
8	(196,860)	(200,000)
	191,135	194,200
7	(190,945)	(194,000)
	185,365	188,350
6	(176,845)	(179,650)
	171,690	174,450
5	(167,620)	(170,300)
	162,750	165,350
4	(162,655)	(165,250)
	(157,925)	(160,450)
	153,240	155,700
	(147,375)	(149,750)
3	(143,070)	(145,350)
	(139,045)	(141,250)
	135,025	137,200
	(126,985)	(129,000)
2	(123,290)	(125,250)
	(119,695)	(121,600)
	116,100	117,950
	(106,925)	(108,650)
1	(103,800)	(105,450)
	(100,680)	(102,300)
	97,840	99,400

Note: Figures in brackets represent increments.

Directorate (Legal) Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
	(176,845)	(179,650)
6	171,690	174,450
	(167,620)	(170,300)
5	162,750	165,350
	(162,655)	(165,250)
	(157,925)	(160,450)
4	153,240	155,700
	(147,375)	(149,750)
	(143,070)	(145,350)
	(139,045)	(141,250)
3	135,025	137,200
	(126,985)	(129,000)
	(123,290)	(125,250)
	(119,695)	(121,600)
2	116,100	117,950
	(106,925)	(108,650)
	(103,800)	(105,450)
	(100,680)	(102,300)
1	97,840	99,400

Note: Figures in brackets represent increments.

Master Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
49	87,735	89,140
48	84,690	86,045
47	81,750	83,060
46 (44B)	78,885	80,145
45 (44A)	76,155	77,375
44	73,500	74,675
43	70,940	72,075
42	68,015	69,105
41	65,210	66,255
40	62,510	63,510
39	59,930	60,890
38	57,280	58,195
37	54,765	55,640
36 (33C)	52,295	53,130
35 (33B)	49,975	50,775
34 (33A)	48,700	49,480
33	48,400	48,670
32	46,230	46,490
31	44,155	44,400
30	42,175	42,410
29	40,290	40,515
28	38,470	38,685
27	36,740	36,945
26	35,095	35,290
25	33,520	33,710
24	32,055	32,235
23	30,615	30,785
22	29,235	29,400
21	27,910	28,065
20	26,585	26,735
19	25,320	25,460
18	24,120	24,255
17	22,985	23,115
16	21,880	22,005
15	20,835	20,950
14	19,835	19,945
13	18,885	18,990
12	17,805	17,905

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
11	16,760	16,855
10	15,785	15,875
9	14,890	14,975
8	13,985	14,065
7	13,120	13,195
6	12,310	12,380
5	11,580	11,645
4	10,845	10,910
3	10,190	10,250
2	9,565	9,620
1	8,985	9,040
0	8,455	8,505

Model Scale 1 Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
13	11,700	11,770
12	11,470	11,535
11	11,230	11,295
10	11,015	11,080
9	10,800	10,865
8	10,595	10,655
7	10,395	10,455
6	10,190	10,250
5	9,985	10,045
4	9,785	9,840
3	9,580	9,635
2	9,375	9,430
1	9,175	9,230
0	8,980	9,035

General Disciplined Services (Commander) Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
4	(176,845)	(179,650)
	171,690	174,450
3	(147,375)	(149,750)
	(143,070)	(145,350)
	(139,045)	(141,250)
	135,025	137,200
	(126,985)	(129,000)
2	(123,290)	(125,250)
	(119,695)	(121,600)
	116,100	117,950
1	(110,280)	(112,050)
	(107,065)	(108,800)
	(103,800)	(105,450)
	100,680	102,300

Note: Figures in brackets represent increments.

General Disciplined Services (Officer) Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
39	95,360	96,885
38	92,300	93,775
37	88,725	90,145
36	85,155	86,515
35	81,970	83,280
34	78,935	80,200
33	76,105	77,325
32	73,450	74,625
31	70,820	71,955
30	68,255	69,345
29	65,800	66,855
28	63,385	64,400
27	61,115	62,095
26	58,880	59,820
25	56,665	57,570
24	54,665	55,540
23	52,680	53,525
22	50,760	51,570
21	49,065	49,850
20	48,700	49,480
19	48,320	48,590
18	46,585	46,845
17	44,665	44,915
16	42,750	42,990
15	40,810	41,040
14	38,895	39,115
13	37,030	37,235
12	35,165	35,360
11	33,455	33,640
10	31,845	32,025
9	30,280	30,450
8	28,705	28,865
7	27,155	27,305
6	25,620	25,765
5	24,050	24,185
4	22,690	22,815
3	21,620	21,740
2	20,540	20,655

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
1	19,665	19,775
1a	18,820	18,925
1b	18,010	18,110
1c	17,240	17,335
1d	16,500	16,590

General Disciplined Services (Rank and File) Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
29	31,750	31,930
28	30,540	30,710
27	29,365	29,530
26	28,525	28,685
25	27,665	27,820
24	26,870	27,020
23	26,185	26,330
22	25,460	25,605
21	24,760	24,900
20	24,105	24,240
19	23,465	23,595
18	22,815	22,945
17	22,150	22,275
16	21,540	21,660
15	20,940	21,055
14	20,340	20,455
13	19,745	19,855
12	19,150	19,255
11	18,565	18,670
10	17,980	18,080
9	17,415	17,515
8	16,830	16,925
7	16,250	16,340
6	15,750	15,840
5	15,100	15,185
4	14,685	14,770
3	14,275	14,355
2	13,860	13,940
1	13,480	13,560
1a	13,105	13,180

Police Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
	(196,860)	(200,000)
59	191,135	194,200
	(167,620)	(170,300)
	(162,750)	(165,350)
58	157,925	160,450
	(147,375)	(149,750)
	(143,070)	(145,350)
	(139,045)	(141,250)
57	135,025	137,200
	(126,985)	(129,000)
	(123,290)	(125,250)
	(119,695)	(121,600)
56	116,100	117,950
	(110,280)	(112,050)
	(107,065)	(108,800)
	(103,800)	(105,450)
55	100,680	102,300
54a	95,360	96,885
54	92,300	93,775
53	88,725	90,145
52	85,155	86,515
51	81,970	83,280
50	78,935	80,200
49	76,105	77,325
48	73,450	74,625
47	70,820	71,955
46	68,255	69,345
45	65,800	66,855
44	63,385	64,400
43	61,115	62,095
42	58,880	59,820
41	56,665	57,570
40	54,665	55,540

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
39	52,680	53,525
38	50,760	51,570
37	49,065	49,850
36	48,700	49,480
35	48,320	48,590
34	46,585	46,845
33	44,665	44,915
32	42,785	43,025
31	40,900	41,130
30	39,070	39,290
29	37,265	37,475
28	35,495	35,695
27	33,720	33,910
26	32,255	32,435
25	31,285	31,460
24	30,370	30,540
23	29,460	29,625
22	28,785	28,945
21	28,065	28,220
20	27,330	27,485
19	26,635	26,785
18	25,895	26,040
17	25,170	25,310
16	24,475	24,610
15	23,805	23,940
14	23,125	23,255
13	22,470	22,595
12	21,835	21,955
11	21,305	21,425
10	20,590	20,705
9	19,975	20,085
8	19,360	19,470
7	18,805	18,910
6	18,230	18,330
5	17,695	17,795
4	17,180	17,275
3	16,655	16,750
2	16,160	16,250
1	15,690	15,780
1a	15,235	15,325

Note: Figures in brackets represent increments.

Independent Commission Against Corruption Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
	(167,620)	(170,300)
	(162,750)	(165,350)
48	157,925	160,450
	(147,375)	(149,750)
	(143,070)	(145,350)
	(139,045)	(141,250)
47	135,025	137,200
	(126,985)	(129,000)
	(123,290)	(125,250)
	(119,695)	(121,600)
46	116,100	117,950
	(110,280)	(112,050)
	(107,065)	(108,800)
	(103,800)	(105,450)
45	100,680	102,300
44a	95,360	96,885
44	92,300	93,775
43	88,725	90,145
42	85,155	86,515
41	81,970	83,280
40	78,935	80,200
39	76,050	77,265
38	73,410	74,585
37	70,755	71,885
36	68,185	69,275
35	65,515	66,565
34	63,075	64,085
33	60,610	61,580
32	58,180	59,110
31	55,710	56,600
30	53,270	54,120
29	50,850	51,665
28	48,700	49,480
27	48,145	48,415

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
26	46,685	46,945
25	44,545	44,795
24	42,335	42,570
23	40,170	40,395
22	37,995	38,210
21	35,810	36,010
20	34,140	34,330
19	32,480	32,660
18	31,105	31,280
17	29,730	29,895
16	28,350	28,510
15	27,310	27,465
14	26,965	27,115
13	26,265	26,410
12	25,550	25,695
11	24,180	24,315
10	22,815	22,945
9	21,550	21,670
8	20,305	20,420
7	19,050	19,155
6	17,730	17,830
5	16,410	16,500
4	15,100	15,185
3	14,550	14,635
2	13,995	14,075
1	13,490	13,570

Note: Figures in brackets represent increments.

Training Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
16	20,785	20,900
15	19,790	19,900
14	18,840	18,945
13	18,015	18,115
12	16,910	17,005
11	15,505	15,595
10	14,240	14,320
9	13,405	13,485
8	12,585	12,660
7	11,815	11,885
6	11,100	11,165
5	10,410	10,470
4	9,775	9,830
3	9,190	9,245
2	8,610	8,660
1	8,090	8,140

Craft Apprentice Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
4	7,970	8,015
3	7,300	7,345
2	6,600	6,640
1	5,935	5,970
0	5,595	5,630

Technician Apprentice Pay Scale

Point	(as at 31.3.2010)	(w.e.f. 1.4.2010)
	\$	\$
4	10,080	10,140
3	9,190	9,245
2	8,305	8,355
1	7,640	7,685
0	7,165	7,210