

立法會
Legislative Council

LC Paper No. CB(1)1913/09-10
(These minutes have been seen
by the Administration)

Ref : CB1/PL/ PS/1

Panel on Public Service

**Minutes of meeting held on
Monday, 15 March 2010, at 10:45 am
in Conference Room A of the Legislative Council Building**

Members present : Hon LEE Cheuk-yan (Chairman)
Dr Hon PAN Pey-chyou (Deputy Chairman)
Hon CHEUNG Man-kwong
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Dr Hon LEUNG Ka-lau
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

Member attending : Hon WONG Kwok-hing, MH

Members absent : Dr Hon Margaret NG
Hon WONG Sing-chi

Public officers attending : **Agenda item IV**

Miss Denise YUE, GBS, JP
Secretary for the Civil Service

Mr Andrew H Y WONG, JP
Permanent Secretary for the Civil Service

Mr Patrick CHAN Nim-tak, JP
Director of General Grades

Mr Brian LO
Deputy Secretary for the Civil Service 2

Agenda item V

Miss Denise YUE, GBS, JP
Secretary for the Civil Service

Mr Andrew H Y WONG, JP
Permanent Secretary for the Civil Service

Mr Brian LO
Deputy Secretary for the Civil Service 2

Clerk in attendance : Ms Joanne MAK
Chief Council Secretary (1)2

Staff in attendance : Ms Sarah YUEN
Senior Council Secretary (1)6

Miss Winnie CHENG
Legislative Assistant (1)5

Miss Angela LAM
Legislative Assistant (1)2

Action

- I Confirmation of minutes of meeting**
(LC Paper No. CB(1)1329/09-10 — Minutes of meeting on
21 December 2009)

The minutes of the meeting held on 21 December 2009 were confirmed.

- II Information papers issued since last meeting**
(LC Paper No. CB(1)1214/09-10(01) — Submission from a
member of the public
complaining about
discrimination against
persons with disabilities in
the recruitment of civil
servants

LC Paper No. CB(1)1349/09-10(01) Submission from a member of the public expressing concern about the unemployment problem of persons with disabilities and calling for more efforts from the Government to address the problem)

2. Members noted the above papers which were issued after the previous meeting.

III Items for discussion at the next meeting scheduled for 19 April 2010

(LC Paper No. CB(1)1331/09-10(01) — List of outstanding items for discussion

LC Paper No. CB(1)1331/09-10(02) — List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting on Monday, 19 April 2010, at 10:45 am –

(a) Civil service entry system; and

(b) Medical and dental benefits for civil service eligible persons.

IV Civil service-related issues featuring in the 2010-2011 Budget

(LC Paper No. CB(1)1331/09-10(03) — Administration's paper on civil service-related issues featuring in the 2010-2011 Budget)

4. The Secretary for the Civil Service (SCS) briefed members on the salient points of the Administration's paper on the civil service-related issues featuring in the 2010-2011 Budget. Members noted that of the projected 1 050 additional posts in the civil service establishment, five posts were directorate posts, and the rest were non-directorate posts. The rates of net increase in the number of directorate and non-directorate posts in the 2010-2011 Budget were 0.3% and 0.6% respectively.

The civil service establishment

5. Mr WONG Kwok-hing said that Members belonging to The Hong Kong Federation of Trade Unions had all along been urging the Government to relax control of the civil service establishment. He was therefore glad to note that no pre-set ceiling was imposed on the civil service establishment, which would be increased where justified to meet demands for new or improved public services. He enquired about the numbers of full-time non-civil service contract (NCSC) staff, part-time NCSC staff and agency workers engaged by the Government to provide public services.

6. SCS responded that as at the end of December 2009, the number of NCSC staff counted as full-time under the Employment Ordinance (Cap. 57) was some 15 000. As to agency workers, excluding the staff engaged under a term contract centrally administered by the Office of the Government Chief Information Officer and service bureau staff in public libraries (an arrangement under review), their number, as at end September 2009, was some 2 400. NCSC staff who worked less than the conditioned hours required of civil servants were mainly employed by Hongkong Post. The number was some 1 000.

7. The Deputy Chairman criticized the Administration for creating the problems arising from the use of NCSC staff and agency workers as discussed at previous Panel meetings. He was disappointed to note that the Government was committed to continuing to keep the civil service establishment under control despite increasing demands for new or improved public services. He enquired about the rationale of the policy.

8. SCS responded that the Administration was committed to keeping the establishment under control in order to maintain a lean and efficient civil service in keeping with the principles of "Big Market, Small Government" and prudent management of public resources. However, there was no pre-set ceiling on the civil service establishment. SCS pointed out that it was against the background of the Asian financial crisis and the fiscal deficit of the Government in 2001 and 2002 that the then Chief Executive decided that the civil service establishment should be reduced by some 10 % over a few years in order to cut down the Government's expenditure. On 1 April 2003, a general civil service open recruitment freeze was imposed, which was subsequently lifted in March 2007 when the target of reducing the size of the civil service establishment to around 160 000 had been achieved. Since then, there had been no pre-set ceiling on the civil service establishment. In actual fact, a moderate increase was allowed each year as necessary.

9. The Deputy Chairman opined that the Administration should review its human resources policy of keeping the civil service establishment under control and cease the use of NCSC staff and agency workers due to the many ensuing problems. Ms LI Fung-ying shared his view, adding that the "3+3" entry system for the civil service should also be reviewed. The Chairman added

that the Hong Kong Confederation of Trade Unions was opposed to the principle of "Big Market, Small Government" and the policy of outsourcing government services.

10. Ms LI Fung-ying considered that the policy statement that "new civil service posts will only be created when ...alternative modes of service delivery (e.g. outsourcing) are considered inappropriate" was no different from saying that a ceiling had been imposed on the civil service establishment because the trend of the Government was that many public services could be outsourced. Ms LI said that the Administration had actually succeeded in reducing the size of the civil service establishment to around 160 000 by outsourcing and procurement of service, which were provided by low cost labour. She further pointed out that if the 15 000-odd NCSC staff and the 2 000-odd agency workers were taken into account, the number of staff engaged to provide public services had in fact not been reduced.

11. In response, SCS made the following points –

- (a) Since end-March 2007, the Administration had allowed a moderate increase in the civil service establishment each year to facilitate the delivery of new policy initiatives and to meet the demands for new or improved public services. The yearly increases in the civil service establishment since end-March 2007 were clearly set out in the Administration's paper;
- (b) It was an established policy that the Administration should engage the private sector in the delivery of public services as far as possible unless the tasks concerned should more appropriately be performed by civil servants. In the process, no serving civil servants would be made redundant. Outsourcing had long been used to implement works projects and had been adopted in other areas over the past 15 to 20 years to cover cleansing, security, and building and property management services, etc;
- (c) The Administration saw a need to employ NCSC staff or to outsource services as appropriate. However, to address concerns about the abuse of the use of NCSC staff, after conducting the 2006 review of the NCSC staff situation, the Administration had tightened control in this aspect. Where there was a long-term need for the services concerned and where the tasks concerned should more appropriately be performed by civil servants, the NCSC positions concerned should be converted to civil service posts; and

- (d) Differences in employment terms and conditions among civil servants, NCSC staff and agency workers were inevitable as the latter two were not part of the permanent civil service establishment. However, to prevent abuses and exploitation, the Administration had already introduced a number of improvement measures governing the engagement of agency workers as reported at a previous Panel meeting.

12. The Chairman also considered that the Administration had in fact already imposed a ceiling on the establishment of the civil service, as shown in the fact that the projected increase in the civil service establishment (0.6%) was by far smaller than the increase in Government expenditure in the 2010-2011 Estimates (about 7%). He considered that this might imply that the slight increase in the number of civil servants would not be able to cope with the increase in workload associated with the quoted growth in Government expenditure.

13. SCS disagreed that the increase in the civil service establishment and that in Government expenditure should be linked because part of the latter was attributed to inflation and the upward adjustment of the payment rates such as those under the Comprehensive Social Security Assistance Scheme, which would not increase civil servants' workload. Even if there were new service needs, the bureaux/departments (B/Ds) concerned should first consider meeting additional service needs through internal redeployment, streamlining of service delivery processes and automation. SCS pointed out that in fact, there was already an objective resource allocation mechanism overseen by the Chief Secretary for Administration for considering B/Ds' requests for additional civil service posts. B/Ds could apply for the creation of new civil service posts when there was a genuine operational need.

14. The Chairman said he noted that it was in general difficult for B/Ds to apply for additional manpower provisions and therefore increases in the civil service establishment had been pathetic in the past few years. He said that many civil servants were overloaded with increasing workload, and some B/Ds had to employ NCSC staff to cope with the heavy workload.

15. Mrs Regina IP referred to the case where the contracts of some 700 NCSC staff of the Buildings Department (BD) would not be renewed because BD could not secure funding to extend its current programme on the removal of unauthorized building works (UBWs) beyond March 2011. Pointing out that BD's staff only numbered 1 000-odd, she considered the above significant staff cut worrying, and called for the conversion of the NCSC positions concerned to civil service posts to enlarge BD's establishment to meet the long-term need for UBW removal. SCS responded that the NCSC staff concerned were employed in connection with the removal of high-risk UBWs

under a ten-year programme ending in March 2011. As understood from BD, most of the UBWs with higher risks had already been removed and there was no need to further extend the programme.

16. Mrs Regina IP opined that the removal of UBWs could always be enhanced to strengthen building safety and improve the environment. In reply to her on whether the Administration was willing to increase BD's establishment to gear up performance of such duties, SCS explained that removal of UBWs was a statutory function of BD and there were already civil servants in BD responsible for the task. The above ten-year programme was a special programme targeted at high-risk UBWs. After its completion, BD would continue to remove UBWs as part of its normal work.

Conversion of non-civil service contract staff to civil servants

17. Mr WONG Kwok-hing enquired about the number of NCSC staff who had successfully applied for civil service posts and the number of those who had failed and become jobless. SCS responded that of the some 4 000 NCSC positions identified in the 2006 special review for replacement by civil service posts, some 3 200 had already been phased out by end 2009. Of these NCSC positions already phased out, about half of the NCSC staff concerned had successfully been appointed as civil servants through open recruitment. As to the remaining half, some might be employed in other NCSC positions within the same or in other B/Ds. A small number (some 980) had left the Government on their own accord or on account of unsatisfactory performance.

18. Mr WONG Kwok-hing urged the Administration to consider his proposal to minimize the number of NCSC staff and agency workers by converting the positions concerned to civil service posts as far as practicable, so as to prevent abuses and boost staff morale. SCS responded that as a result of the 2006 special review of the employment situation of NCSC staff, a number of improvement measures had already been implemented to prevent abuses. For example, since November 2006, Heads of Departments (HoDs) had been provided with an upper limit on the number of NCSC staff they might employ; every request for creation of NCSC position(s) would need to be considered and approved by a directorate officer not below the deputy head level; and CSB had reminded HoDs to keep their operation under regular review and to seek to create civil service posts in accordance with established procedures where necessary.

19. Noting that the success rate of serving NCSC staff in applying for civil service posts was only some 50%, the Chairman suggested that due consideration should be given to the working experience of NCSC staff in the Government. He proposed that NCSC staff who had worked in the Government for a number of years should be exempted from taking written tests when applying for the relevant civil service posts.

20. SCS explained that the entry requirements for candidates recruited to fill civil service posts and NCSC positions performing similar duties were different considering the career progression available for the former and the time-limited nature of the latter. Moreover, to ensure the proper use of public money and fairness, the Administration was of the view that NCSC staff should be considered alongside other candidates in filling civil service posts through an open, fair and competitive recruitment process. That notwithstanding, CSB had already requested all B/Ds to give due regard to "relevant working experience" when selecting candidates for filling civil service posts. Since NCSC staff had working experience in the Government, they should enjoy a competitive edge over other applicants for civil service jobs.

21. The Chairman considered that the Government as the employer should honour its obligations to NCSC staff, who were also employees of the Government. He urged the Administration to improve the employment package of NCSC staff so that their employment terms and conditions would not be inferior to those of the civil service. For example, while the Mainland spouses of civil servants were not required to pay the obstetric service package charge of \$39,000 for use of HA's service, NCSC staff were not given the same special treatment. In response, SCS clarified that the Government exempted the Mainland wives of civil servants from payment of the obstetric service package charge because the Government, as the employer, had the contractual obligation to provide medical benefits to civil service eligible persons.

Financial provisions

22. Mr TAM Yiu-chung enquired about the reasons for the large increase of 53% in the allocation of \$335.4 million proposed to meet the estimated direct expenditure on reimbursement of medical fees and hospital charges as compared to the 2009-2010 Revised Estimates. SCS advised that the possible reasons were the emergence of new medical treatment and drugs, the escalating medical and drug costs, and increase in the number of serving and retired civil servants and their eligible dependents.

23. SCS further said that such significant increase in direct expenditure on reimbursement of medical fees and hospital charges had in fact already been witnessed in the past five financial years, as evidenced by the provision of \$60 million in 2005-2006, \$86 million in 2006-2007, \$125 million in 2007-2008, \$170 million in 2008-2009 and \$219 million in 2009-2010 (Revised Estimates). It was anticipated that the growing trend would continue although the extent might not be as significant. She added that the increase might also be attributed to the classification of certain drugs as self-financed items outside the Drug Formulary of the Hospital Authority. In response to the Chairman, SCS confirmed that over 60% of the self-financed drugs required by civil service eligible persons were cancer drugs, which were very expensive, e.g.

around \$10,000 per dose of targeted cancer drugs. In response to Mr TAM Yiu-chung, SCS advised that the allocation for dental services in 2010-2011 had increased by \$8 million as compared to the 2009-2010 Revised Estimates.

V 2009 Starting Salaries Survey findings and recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service

(LC Paper No. CB(1)1331/09-10(04) — Administration's paper on 2009 Starting Salaries Survey: findings and recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service

LC Paper No. CB(1)1332/09-10 — Background brief on starting salaries survey for the civil service prepared by the Legislative Council Secretariat)

24. SCS briefed members on the general principles and approach of the Starting Salaries Surveys (SSSs), and referred members to the findings and recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service (the Standing Commission)'s Report No. 46 on the 2009 SSS (the Report). She invited members' views and comments on the findings and recommendations of the Report.

Concern about the problem of "different pay for the same job"

25. Mr CHEUNG Man-kwong pointed out that if the Administration adopted the Standing Commission's recommendation regarding the benchmark for qualification group (QG) 9 (i.e. Degree and Related grades) and lowered the starting salaries for basic ranks within QG 9 by two pay points from a prospective date, Graduate Master/Mistress (GM) teachers in aided or government schools would be receiving salaries at three different levels, depending on the impact of the revisions in starting salaries resulting from the 1999 SSS, the 2006 SSS, or the 2009 SSS, on them. Mr CHEUNG said that the situation would be confusing and divisive, not to mention that serving teachers would also be affected if transferred. Highlighting the lack of market comparators, Mr CHEUNG questioned whether it was appropriate to apply the findings of SSSs to teachers. Mr IP Wai-ming echoed Mr CHEUNG's views.

26. In response, SCS made the following points –

(a) There could be different starting salaries for teachers

following the implementation of SSSs, depending on the outcome of each survey, the recommendations of the Standing Commission and the decision of the Government. Same as civil servants in other grades and ranks, serving teachers in government schools were subject to the normal conversion arrangement in accordance with the established practice. Under the arrangement, in the case of lowered starting salaries, serving civil servants would not be affected. Because of the protection against the risk of downward adjustment, a balance had to be struck under the normal conversion arrangement when starting salaries were adjusted upwards. As a result, under the circumstances of increased starting salaries, the pay of serving civil servants below the new starting pay point would only be brought up to the new starting pay point, and the pay of serving civil servants equal to or above the new starting pay point would be brought up to the next higher pay point, subject to the maximum pay point of their ranks;

- (b) Having regard to the experiences of the past two SSSs under which the survey results were applied strictly to the concerned civil service basic ranks, the Standing Commission had advised that a holistic approach should be adopted in considering how the 2009 SSS results should be applied to civil service basic ranks. Hence, it had come up with the recommendation of lowering the benchmark for QG9 by two pay points only, instead of three pay points by directly applying the 2009 SSS results; and
- (c) The Administration had yet to take a view on the recommendations of the Standing Commission. As a start, it would conduct a one-month consultation with parties concerned. Apart from consulting departmental management and the staff sides, the Administration would give due regard to views and comments from other relevant sectors. In this connection, the Administration would contact the careers and placement services units of local tertiary institutions to ascertain their views on the 2009 SSS findings and the Standing Commission's recommendations.

27. The Chairman suggested that the Administration should also consider consulting undergraduates through the Hong Kong Federation of Students and the student unions of individual tertiary institutions. The Administration noted the Chairman's suggestion.

28. Mr CHEUNG Man-kwong highlighted the need to attract people of high calibre to join the ranks of teachers in the interest of quality education. He remained of the view that it was not appropriate to apply the findings of SSSs to teachers due to the lack of market comparators. In response, SCS explained the need to determine teachers' starting salaries and salary scales in accordance with some objective benchmarks. The Administration was of the view that adjusting the starting salaries of graduate teaching grades on the basis of internal relativity with QG9 was appropriate.

29. Dr LEUNG Ka-lau also expressed concern about the problem of "different pay for the same job" created by the difference in starting salaries. For example, the difference in pay so resulting between HA doctors recruited before 2000 and after was so significant that in 2004, the pay received by the former had doubled that of the latter. According to him, the 1999 SSS was conducted for the purpose of reducing civil service pay under the economic and political pressure at that time while the 2006 SSS was conducted to rectify the problems so arising. As such, both were political moves necessitated by the prevailing circumstances then. He considered that there were no longer any justified needs for conducting SSSs. He opined that the appropriateness of civil service starting salaries should be determined in the context of the Pay Level Survey (PLS), which was already conducted every six years to ensure broad comparability of the civil service pay with that of the private sector.

30. SCS said that the two surveys served different purposes, and disagreed that there was no need to conduct SSSs because of the six-yearly PLSs. She said that the six-yearly PLS was designed to ascertain the overall pay level of the civil service, but not the comparability of civil service starting salaries with those of the market. Under the agreed PLS methodology, civil service pay, broadly divided into five job levels each expressed in the form of the mid-point of the relevant civil service pay scale plus fringe benefits paid in cash, would be compared with the third quartile (P75) level of private sector annual total cash compensation.

Concerns about the impact of the downward adjustment of civil service starting salaries recommended in the 2009 SSS report

31. Mr WONG Kwok-hing expressed concern about whether the attractiveness of the relevant civil service posts could still be maintained if the Standing Commission's recommendation to lower the benchmark for QG9 by two pay points was adopted. In response, SCS reiterated that the Government had yet to take a view on the recommendations. She pointed out that in drawing up its recommendation on the benchmark for QG9, the Standing Commission had already given due regard to a number of factors as elaborated in paragraphs 5.12 to 5.17 of the Report. Thus, the Standing Commission had recommended that the benchmark for QG 9 should be lowered by only some \$2,000 to \$19,835, instead of by some \$3,300 to \$18,504 by directly applying

the 2009 SSS results. SCS also pointed out that in the 2009 SSS, the Standing Commission had continued to adopt the established practices of using total cash compensation and the third quartile (P75) level of private sector pay, instead of the median, as the basis for comparison with the civil service benchmark pay for individual QGs.

32. Ms LI Fung-ying shared Mr WONG Kwok-hing's views and considered the Standing Commission's recommendation to lower the starting salaries for basic civilian ranks in certain QGs unjustified. She said that the economy was already recovering and that the prices of goods and services were generally going up. She said that the attractiveness of civil service jobs had diminished since 2000 due to the implementation of the "3+3" entry system and the abolition of pension/education allowance for new recruits who joined the civil service since 1 June 2000, while their private-sector counterparts could have their pay adjusted flexibly and enjoy bonus.

33. SCS responded that the inflation factor was already taken into account when deciding on the annual adjustment of civil service pay according to the yearly Pay Trend Survey. She explained that the availability of double pay in the private sector had also been taken into account in the 2009 SSS as the annual total cash compensation was used as the basis for comparison which covered not only the annual base salary but also other cash payments (including cash allowances and variable pay). Furthermore, in accordance with the established practice, pay comparison with the market under the 2009 SSS was pitched against the P75 level of market pay. SCS also informed members that over the past two to three years, only one to two grades in the civil service had encountered recruitment problem. She further advised that the Standing Commission had not recommended the strict application of the survey findings by reducing the starting salaries for basic ranks (e.g. Clerical Assistant) within QG1 (grades not requiring five passes in HKCEE) by \$507. Ms LI Fung-ying opined that the Administration should give regard to not only the recruitment situation but also the retention situation when deciding whether to adjust the starting salaries, and to the implications of such adjustments on the pay of the subvented sector.

34. The Deputy Chairman said that if the starting salaries of the civil service were adjusted as recommended in the 2009 SSS, the difference in the starting salaries for QG9 (i.e., Degree and Related grades) and Group I of QG3 (higher Diploma Grades) would only be \$950. He considered that such difference was unreasonable and would give the public the impression that university education was not worth the time and costs incurred.

35. SCS responded that the above situation would only exist in the beginning, because the maximum pay points of degree or related grades were much higher than those for non-degree grades. In addition, while those joining degree grades could aspire to be promoted to directorate positions, the

promotion opportunities for those in the higher diploma grades were generally restricted to non-directorate ranks. She added that many young people pursuing university education would make career choices based on longer-term considerations rather than short-term financial gains. She further explained that it was not the Administration's policy that there must be a specified pay differential between the benchmarks of the degree and diploma/higher diploma QGs.

36. The Deputy Chairman highlighted the financial burden borne by young people in pursuing university education, and the need to pay back the relevant loans after graduation. The Chairman also expressed concern that the recommended downward adjustment to the starting salaries for basic ranks within QG9 might lead to a misconception that the value of university degrees had depreciated.

37. Mr WONG Kwok-hing, Mr IP Wai-ming and Dr LEUNG Ka-lau also expressed concern about the implications of the Standing Commission's recommendations on the subvented sector. Dr LEUNG, in particular, enquired whether the starting salaries of HA's medical interns, which in his view were unfairly pitched at the level of those for basic ranks within QG9, would be similarly adjusted downwards if the Standing Commission's recommendation regarding QG9 was taken forward. SCS responded that she could not provide an answer in this regard because there were no medical interns in the civil service. She however reported that the Financial Services and the Treasury Bureau had already decided in 2007 that the subventions to organizations, including those in the medical (mainly HA) and the welfare sectors, would not be adjusted in the context of SSSs in future.

38. Dr LEUNG Ka-lau pointed out that if the normal conversion arrangement to be applied to affected serving civil servants for the 2009 SSS would have no direct impact on the employees of the subvented sector, and that the latter might be exempted from downward adjustment to the starting salaries this time, the principle that "the pay and conditions of service for staff of the subvented sector should be no better than their counterparts in the civil service" would be breached. In response, SCS clarified that the focus of the above principle was the overall remuneration package and not the monthly pay. Moreover, the pay of staff of the subvented sector had already been delinked from the pay scales of the civil service for some time. As such, the starting salaries of staff of subvented organizations could be higher than those of their civil service counterparts. She further assured members that the Administration would clearly explain to subvented organizations that their subvention would not be affected by Government's decisions in relation to the recommendations of SSSs.

39. The Chairman pointed out that as he and the Hong Kong Confederation of Trade Unions perceived, the greatest concern about the recommendations of

the 2009 SSS to adjust civil service starting salaries downwards was their impact on the pay level of the private sector, especially as the economy was still fluctuating, and that there was a trend in the private sector to cut costs.

40. The Chairman said that to allow sufficient time for discussion, he would extend the meeting by 15 minutes.

Concerns about the timing and frequency of civil service starting salaries surveys

41. Mr TAM Yiu-chung appreciated the need to conduct a SSS at three-yearly intervals to ascertain whether the starting pay specified for different entry ranks in the civil service requiring different qualifications was comparable with private-sector jobs requiring similar qualifications. He highlighted the great fluctuations in the economy during the past three years, and expressed concern about the "time lag" problem with civil service salary adjustments in general, i.e., as pay adjustments for civil servants resulting from salary surveys were always implemented months after the surveys concerned, the economic situation might have changed in the meantime, say, from economic downturn to recovery. If that happened, civil servants might query why they should have pay cuts while market salaries were rising in the midst of economic recovery. If it was the other way round, i.e. when the economy declined and yet the Administration still adopted the findings of a pay survey conducted months ago and adjusted civil service pay upwards, the public might then query the pay increase.

42. In response, SCS made the following points –

- (a) There was inevitably some time lag with respect to civil service pay adjustments. Because of the need to ensure broad pay comparability with the market, adjustments to civil service pay, including starting salaries, had to be made having regard to the results of market surveys reflecting actual pay movements/starting salaries in the private sector over a 12-month period in the past;
- (b) The only way to address the "time lag" problem was the conduct of surveys on the basis of salary adjustments intended by employers in the private sector. The Administration however found such an approach undesirable because employers might not actually implement their intentions. Such uncertainties and inaccuracies might give rise to even greater problems than those arising from the "time lag" problem;

- (c) The 2009 SSS was conducted to collect information and data on the pay of entry-level jobs in the private sector with employees recruited during the 12-month period immediately preceding the survey reference date of 1 April 2009, i.e. from 2 April 2008 to 1 April 2009, for comparison with civil service starting salaries. In other words, only the second half of the survey period was affected by the global financial tsunami. As regards the impact of the global financial tsunami, which started in late September 2008, the Standing Commission had carefully analysed the market data collected in the 2009 SSS. Insofar as QG9 was concerned, 80% of the valid data were related to new recruits appointed in the first half of the survey period (April to September 2008), i.e. before the outbreak of the global financial tsunami; and
- (d) The Standing Commission had already cautioned against the mechanical application of the findings of SSSs. It had recommended the adoption of a holistic approach in considering how SSS results should be applied to the civil service in order to avoid unnecessary volatility in the entry pay of different civil service grades and minimize potential implementation problems. Having regard to all the factors under the holistic approach, the Standing Commission had recommended a moderated reduction of two pay points, or some \$2,000, for the benchmark of the basic ranks within QG9, instead of a reduction of three pay points, or over \$3,300, based strictly on the survey results.

43. Mr IP Wai-ming questioned the justification and propriety of conducting a SSS in 2009, when the economic condition was fluctuating. He expressed concern that the Standing Commission's recommended adjustment to the benchmark of QG 9, if adopted, might trigger pay cuts in the private and the subvented sectors as well. Noting that the starting salaries for basic ranks within QG9 had been raised as a result of the 2006 SSS, Mr IP said that if they were lowered this time, the existing problem of disparity in salaries between new appointees and serving civil servants in the same rank would be worsened. He opined that excessive volatility in starting salaries was undesirable and divisive. He also considered that it was a waste of resources to conduct pay surveys too frequently.

44. SCS emphasized that there was a need for the Government to conduct SSSs in a timely manner to ascertain the broad comparability of civil service entry pay with that in the private sector. Hence, the Government decided in 2007 that a SSS would be conducted at three-yearly intervals (counting from 1 April 2006) in future. SCS added that SSS findings served to provide an

objective picture of private sector entry pay for the prescribed period of time. The Government would take into consideration all relevant factors in coming up with its final decision on the Standing Commission's recommendations.

45. Mr IP Wai-ming considered it unfair that the likely reduction in entry pay as a result of the 2009 SSS might not apply to the disciplined services. SCS responded that as in the case of the 1999 SSS and the 2006 SSS, although SSSs did not cover the disciplined services grades, their starting salaries would be adjusted downwards or upwards based on their internal relativity with the relevant QGs.

VI Any other business

46. There being no other business, the meeting ended at 12:55 pm.

Council Business Division 1
Legislative Council Secretariat
20 May 2010