

立法會

Legislative Council

LC Paper No. CB(1)2452/11-12
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by the Administration)

Ref : CB1/PL/ PS/1

Panel on Public Service

**Minutes of meeting held on
Monday, 20 February 2012, at 10:45 am
in Conference Room 3 of the Legislative Council Complex**

Members present : Hon Mrs Regina IP LAU Suk-ye, GBS, JP (Chairman)
Dr Hon PAN Pey-chyou (Deputy Chairman)
Hon LEE Cheuk-yan
Dr Hon Margaret NG
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, SBS, JP
Dr Hon LEUNG Ka-lau
Hon WONG Sing-chi
Hon IP Wai-ming, MH
Hon LEUNG Kwok-hung

Members absent : Hon CHEUNG Man-kwong
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP

**Public officers
attending** : **Agenda item III**

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

Mr Raymond WONG H C, JP
Permanent Secretary for the Civil Service

Mr Brian LO, JP
Deputy Secretary for the Civil Service 2

Agenda item IV

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

Mr Raymond WONG H C, JP
Permanent Secretary for the Civil Service

Mrs Ingrid YEUNG, JP
Deputy Secretary for the Civil Service 1

Mr Brian LO, JP
Deputy Secretary for the Civil Service 2

Ms Ivy LAW
Acting Deputy Secretary for the Civil Service 3

Mr Patrick CHAN Nim-tak, BBS, JP
Director of General Grades
Civil Service Bureau

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

Staff in attendance : Miss Lilian MOK
Council Secretary (1)7

Miss Iris CHEUNG
Legislative Assistant (1)7

Miss May KWONG
Clerical Assistant (1)7

Action

I. Information paper issued since last meeting

(LC Paper No. CB(1)993/11-12(01) -- Administration's response to the referral memorandum from the Complaints Division regarding the concern expressed by a

member of the public about the exclusion of Chinese medicine from the scope of civil service medical benefits)

Members noted the above paper which had been issued after the last meeting.

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)1028/11-12(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1028/11-12(02) -- List of follow-up actions)

2. Members agreed to discuss the following items at the next regular meeting to be held on 19 March 2012 at 10:45 am –

- (a) Civil Service Outstanding Service Award Scheme 2011; and
- (b) updated overview of medical and dental benefits for civil service eligible persons.

III. Starting Salaries Survey and Pay Level Survey

(LC Paper No. CB(1)1028/11-12(03) -- Administration's paper entitled "Starting Salaries Survey and Pay Level Survey"

LC Paper No. CB(1)1028/11-12(04) -- Updated background brief entitled "The Starting Salaries Survey and the Pay Level Survey for the civil service" prepared by the Legislative Council Secretariat)

3. The Secretary for the Civil Service (SCS) briefed members that under the Improved Civil Service Pay Adjustment Mechanism (the Mechanism) endorsed by the Executive Council in 2007, a Starting Salaries Survey (SSS) and a Pay Level Survey (PLS) would be conducted every three years and six years respectively to ensure that civil service pay and private sector pay were broadly

comparable. Since the previous SSS and PLS were conducted in 2009 and 2006 respectively, the next SSS and PLS were due to be conducted in 2012 in accordance with the aforementioned timeframe. SCS said that the Consultative Group on Civil Service Pay Adjustment Mechanism (the Consultative Group) which comprised the staff sides of the four central consultative councils and representatives from the four major service-wide staff unions and associations was consulted in December 2011. The Consultative Group supported the Administration's proposal for inviting the Standing Commission on Civil Service Salaries and Conditions of Service (the Standing Commission) to conduct the coming SSS and PLS and to advise on the application of the survey findings to the relevant grades in the civil service. Given the different scope and levels of complexity of the two surveys, the Standing Commission aimed at conducting SSS first, followed by PLS.

Methodologies of SSS and PLS

4. Dr LEUNG Ka-lau considered that as PLS also sought to compare the prevailing salaries of non-directorate civil servants with their counterparts in the private sector, it might have already served the purpose of SSS which aimed to compare the starting pay for different entry ranks in the civil service with private-sector jobs requiring similar qualifications. Pointing out the problems arising from the previous starting salaries review in 1999 (e.g. serving civil servants being paid less than new entrants of the same grade), Dr LEUNG suggested that there was no need to conduct SSS any more and that the starting salaries of civil servants could be determined in the context of PLS.

5. SCS explained that the methodologies of SSSs and PLSs were essentially different from each other. SCS pointed out that the Administration would respect the Standing Commission's autonomy in deciding on the general framework for the next PLS. Having said that, SCS advised that under the 2006 PLS, the prevailing salaries of different segments of non-directorate civilian grades of the civil service (categorized by job levels and job families) were compared with their counterparts in the private sector. Besides, the following key features were also present in the 2006 PLS –

- (a) the adoption of total cash compensation data at P75 for determining the private sector pay indicator for each job level; and
- (b) the adoption of the notional mid-point salary plus the actual average expenditure on fringe benefits paid in cash for determining the civil service pay indicator for each job level.

SCS further said that the 2009 SSS was conducted by the Standing Commission,

and the qualification group framework was adopted in that survey, under which the starting salaries of non-directorate civilian grades of the civil service were compared with the entry pay of jobs in the private sector requiring similar academic qualifications.

Timeframe for conducting the 2012 SSS and PLS and staff engagement

6. Ms LI Fung-ying enquired about the timeframe for the conduct of the forthcoming SSS and PLS. Pointing out that staff were generally concerned about the selection of private sector companies for the next PLS, Ms LI asked whether a consensus would first be reached with the staff sides over the relevant selection criteria. She further asked whether the civil service bodies outside the four central consultative councils and the four major service-wide staff unions and associations would be consulted on the proposed framework for the conduct of the next PLS.

7. SCS said that the Standing Commission had advised that it aimed at completing the report of the coming SSS at the end of 2012. Upon receipt of the report, the Administration would report the findings to the Panel. It would also consult staff on the recommendations before submitting the report to the Chief Executive-in-Council (CE-in-Council) for decision. As for the coming PLS, SCS said she noted that the Standing Commission would consult staff on issues including the criteria of selection of civil service benchmark jobs in each job family and job level with comparators in the private sector, and on the matching and comparison of civil service benchmark jobs with counterpart jobs in the private sector. SCS advised that, the Consultative Group had urged the Standing Commission to engage closely the staff sides in conducting the coming PLS, and this view had been relayed to the Standing Commission for consideration. It was therefore expected that the Standing Commission might need more time for the preparation work. SCS informed members that the Standing Commission had yet to come up with a timetable for the PLS, but she was given to understand that the PLS would unlikely be completed by the end of 2012. SCS said that she had requested the Standing Commission to inform the Administration of the reference date to be adopted for the coming PLS once it was ready to do so. She expected that the Standing Commission would submit the PLS report within one year from the reference date.

Possible implications of the coming PLS

8. Mr LEE Cheuk-yan said that it was the Government's policy that a plus/minus 5% was adopted as the acceptable range of difference between the civil service and private sector pay indicators for a job level. Highlighting the importance of pay stability to any employees including civil servants, Mr LEE

asked whether the Administration would undertake that no downward adjustment would be made to the relevant civil service pay points to the lower limit of the 5% range if the next PLS results revealed a difference falling outside the acceptable range. Mr LEE said that he was particularly concerned that the next PLS results would be unfavourable to the Model Scale 1 staff (MOD 1 staff).

9. In response, SCS made the following points –

- (a) the Government had been prudent in making decisions on pay adjustments and such decisions were always made on the basis of detailed justifications. Pay reductions on three occasions in the past were all effected through one-off legislation and supported with detailed justifications. The Administration would handle the application of the results of the coming PLS in the same prudent manner;
- (b) the adoption of a plus/minus 5% as the acceptable range of difference between the civil service and private sector pay indicators for a job level was a decision made by the CE-in-Council in 2007. It was then decided that where the difference was within this range, no downward/upward adjustment would be made to the relevant civil service pay points. Where the difference fell outside this range, the downward/upward adjustment to the relevant civil service pay points would be made to the upper/lower limit of the 5% range;
- (c) the Administration had informed the Standing Commission of the general framework and general application principles for the 2006 PLS exercise but had made it clear to the Standing Commission that it might modify them as it saw fit. Upon receipt of the PLS report, the Administration would consult the staff sides and the Panel, before submitting the relevant recommendations to the CE-in-Council for decision;
- (d) the Consultative Group had been consulted and it supported inviting the Standing Commission to conduct the coming SSS and PLS and to advise on the application of the survey findings to the relevant grades in the civil service; and
- (e) as the impact of the implementation of Statutory Minimum Wage (SMW) on the labour market had yet to be ascertained, it was premature to predict that the difference in salary between MOD1 staff and their private-sector counterparts would fall outside the acceptable range in the next PLS.

Admin 10. In response to Mr LEE Cheuk-yan, SCS agreed to provide information on the discrepancy in the prevailing salaries between MOD 1 staff and their counterparts in the private sector as found in the 2006 PLS.

11. The Deputy Chairman welcomed the conduct of the forthcoming SSS and PLS. Also being concerned about the impact of SMW on the two pay-related surveys, the Deputy Chairman asked about the timing of collection of the pay data for the surveys, which in his view might affect whether or not the pay data collected could fully reflect the impact of SMW on the wage level in the private sector. SCS responded that, as informed by the Standing Commission, the reference date for the coming SSS would be 1 April 2012 whereas that for PLS had yet to be decided. However, SCS reckoned that, based on the Standing Commission's past experience in conducting pay-related surveys, the reference date would not be earlier than 1 April 2012.

12. The Deputy Chairman remarked that the respective reference dates of SSSs and PLSs should be set taking into account the effective date of the new SMW rate which was required by the law to be adjusted pursuant to the outcome of the bi-annual review of SMW. SCS responded that the Administration did not intend to give any directive regarding the reference date to the Standing Commission. She pointed out that the pay levels of the private sector could be subject to various factors such as the economic environment, and the prevailing SMW rate might be just one of them. Moreover, even if the Deputy Chairman's suggestion were to be adopted, there would still be a time gap between the setting of a new SMW rate and the actual timing of making the comparison between the private sector pay and the civil service pay because the pay data collection process and other preparation work for the surveys would take some time to complete. SCS further said that the Standing Commission had been advised that while it should give its best recommendation to the Administration based on the survey results, there was no need for the Standing Commission to apply mechanically the survey results to its recommendations. SCS advised that, as an example, in the 2009 SSS, the Standing Commission had recommended a moderated reduction of two pay points, or some \$2,000, for the starting pay of the basic ranks within Qualification Group 9, instead of a reduction of three pay points, or over \$3,300, based strictly on the survey results.

Admin 13. At the request of the Chairman, SCS undertook to relay members' views expressed at this meeting to the Standing Commission for consideration.

IV. Civil service-related issues featuring in the 2012-2013 Budget

(LC Paper No. CB(1)1028/11-12(05) -- Administration's paper entitled "Civil service-related issues featuring in the 2012-13 Budget")

14. SCS briefed members on the salient points of the Administration's paper on civil service-related issues featuring in the 2012-2013 Budget.

Civil service establishment

15. In response to Ms LI Fung-ying's enquiries about the civil service establishment, SCS advised that the 2012-2013 Draft Estimates of Expenditure provided for an additional 1 535 civil service posts in various bureaux and departments (B/Ds). As at 31 December 2011, the actual number of staff on the civil service establishment was about 160 000. There were approximately 103 000 retired civil servants who were eligible for receipt of pension from the Government in the 2011-2012 financial year. In response to the Deputy Chairman's enquiry, SCS said that about 700 of the additional 1 535 civil service posts were to replace non-civil service contract positions.

16. The Deputy Chairman said that the imposition of an open recruitment freeze on some civil service grades (e.g. Workman II) had forced B/Ds to resort to outsourcing of services in order to resolve their problem of manpower shortage, which had led to poor service quality and affected staff morale. SCS responded that there were some 80 civil service grades restricted from open recruitment unless prior approval was given by the Civil Service Bureau (CSB). These identified grades either had existing/anticipated surplus staff, or were in a state of obsolescence, or the work involved could be undertaken by re-deployment of existing staff. However, these identified grades could conduct in-service recruitment to fill vacancies as and when necessary. For example, with the approval of CSB, more than 1 000 Workman II posts in B/Ds including the Agriculture, Fisheries and Conservation Department, the Food and Environmental Hygiene Department, and the Government Logistics Department, as well as around 3 000 posts of other identified grades, had been filled by open recruitment. CSB had so far rejected only one application which was submitted by the University Grants Committee Secretariat for open recruitment of a Workman II post. At present, CSB was studying an application submitted by the Department of Health (DH) to conduct open recruitment for Workman II posts.

17. SCS said that with the adoption of a fair two-envelope system for selection of contractors, under which both tender price and technical proposal would be given due consideration in procuring contracts, lowest-priced tenders but involving unfair treatment of staff would not be considered. SCS further said that various measures had been adopted by B/Ds to check whether the committed wage level for non-skilled workers employed by outsourced contractors were honoured by the contractors concerned. Action would be taken on breaches through a service-wide Demerit Point System. Offenders might be barred from bidding for further Government service contracts. Further, the Civil Service Training and Development Institute and the Efficiency Unit were assisting B/Ds by way of organizing training courses and seminars to share experience in contracting out government services. B/Ds were asked to consult their staff on proposed outsourcing of work so that their concerns could be properly addressed.

Admin

18. Mr IP Wai-ming also expressed concern about the manpower shortage attributed to the imposition of a general civil service open recruitment freeze years ago. He said that the Immigration Department (Imm D) was facing an acute shortage of frontline staff to cope with the increasingly heavy workload, and the Labour Department (LD) was also facing a succession problem because a number of its staff had retired or were about to retire in the near future. He requested the Administration to provide a breakdown of the 1 535 additional civil service posts to be created in the 2012-2013 financial year. SCS agreed to provide the information in writing. SCS said that about 70% of the 1 535 additional posts belonged to the basic entry ranks of different grades. A summary of the civil service establishment was actually provided in the General Revenue Account in Volume I of the 2012-2013 Draft Estimates of Expenditure, where the projected establishment for each B/D as at 31 March 2012 and 31 March 2013 was set out. SCS added that B/Ds could bid for additional civil service posts to meet their operational needs and new service demand from a high-level committee (i.e. the Star Chamber) co-chaired by the Chief Secretary for Administration (CS) and the Financial Secretary (FS).

19. Mr LEUNG Kwok-hung shared Mr IP's concern about the manpower shortage of Imm D and LD and enquired about the decision-making process of the Star Chamber. SCS said that the Star Chamber, co-chaired by CS and FS, comprised the Secretary for Financial Services and the Treasury and herself as members, would examine B/Ds' requests for additional resources and make collective decisions. She added that additional new posts had been provided to Imm D and LD as shown in the summary of establishment provided in the General Revenue Account in Volume I of the 2012-2013 Draft Estimates of Expenditure.

Scope of civil service medical benefits

20. With respect to the reimbursement of medical fees and hospital charges, Ms LI Fung-ying noted that an allocation of \$410 million was proposed, representing an increase of \$90 million (or 28%) over the 2011-2012 Revised Estimate. She enquired whether the Administration would accede to the long-standing requests of civil servants for including Chinese medicine in the scope of civil service medical benefits.

21. In response, SCS explained that in the employment contracts between the Administration and civil servants, the Government had a contractual obligation to provide medical and dental benefits to serving civil servants, pensioners and their eligible dependants. These provisions formed part of the terms of employment and conditions of service of civil servants. As regards the scope of medical and dental benefits for civil service eligible persons, it was defined as those medical services provided by DH or the Hospital Authority (HA). The Chinese medicine service provided at HA was research-oriented and could not be regarded as a standard general out-patient service. HA had adopted a tripartite model, under which it collaborated with a non-governmental organization and a local university in operating public Chinese medicine clinics. As such, HA's Chinese medicine clinics did not fall within the scope of civil service medical benefits. However, civil servants who had sustained injury on duty/occupational disease were eligible to claim reimbursement for medical expenses incurred for treatment given by registered Chinese medicine practitioners up to the statutory limit.

22. Ms LI Fung-ying maintained that the Government should review its decision of excluding Chinese medicine from the scope of civil service medical benefits since Chinese medicine was popular in Hong Kong and it had become a part of Hong Kong's public healthcare system. Moreover, the medical certificates issued by registered Chinese medicine practitioners were also recognized under the law. SCS responded that the Administration would have to take into consideration the financial implications of the proposal and the present medical benefits available to employees in the private sector.

Civil service pensions

23. The Deputy Chairman expressed concern about the significant increase (16.8%) in the total provision for pension payments to eligible retired civil servants in the 2012-2013 financial year. He asked when pension payments were expected to reach their peak and whether the amount of such payments would then decrease gradually.

24. SCS advised that a number of assumptions had to be made in estimating the amount of pension payments in future, e.g. the number of pensionable civil servants and their ranks and salaries upon retirement, etc. However, there were some unpredictable factors affecting the accuracy of the estimate, such as the life expectancy of pensioners and the annual inflation rate, as the amount of pension would be adjusted upward when there was a positive change in the Consumer Price Index (A). Notwithstanding, it was roughly estimated that the amount of lump sum pension gratuity payment would reach its peak in the period from 2015 to 2020, to be followed by a downward trend because the Civil Service Provident Fund Scheme had been introduced in June 2000 to replace the pension schemes for civil servants appointed on or after 1 June 2000. She added that pension benefits would be provided to the widow and orphans of a deceased pensioner who had made contributions to the Surviving Spouses' and Children's Pensions Scheme or the Widows and Orphans Pension Scheme before his death.

25. In response to the enquiry of Mr LEUNG Kwok-hung about the provision made by the Government for pension payments, SCS said that the Government would make financial provision each year to cater for the pension payments for that year. Subject to the approval of the 2012-2013 Draft Estimates by Legislative Council (LegCo), the Government would expend money from its General Revenue for the purpose of meeting the estimated pension expenditures amounted to about \$23,000 million in the coming financial year. She further explained that the Civil Service Pension Reserve Fund (the Fund) was established in 1995 by a resolution passed by the LegCo with an aim to meet the payment of civil service pensions in the event that the Government could not meet its pension liability at the end of a financial year. The Fund was placed in the Exchange Fund managed by the Hong Kong Monetary Authority. The LegCo's Finance Committee approved an injection of \$7 billion from the General Revenue Account into the Fund when it was established, and a lump sum of \$900 million and \$1,000 million was respectively injected into the Fund in 1997-1998 and 2003-2004. At the end of 2012-2013, the closing balance of the Fund was estimated to be around \$25,700 million.

26. Mr LEUNG Kwok-hung said that there was rumour that the Government was financially incapable of meeting its pension liability. He asked whether the Administration had made any provision to meet its maximum pension liability in the years ahead. SCS advised that apart from the annual provision sought every financial year for pension payments and the maintenance of the Fund, the Administration did not set aside any provision or a sum of money to discharge its future pension liability. She supplemented that as at the end of March 2011, the present value of public officer pension obligation was over \$530 billion.

V. Any other business

Conditioned hours of work of the civil service

Clerk

27. Referring to the Panel meeting on 16 January 2012 at which a number of civil service bodies attended and gave views on the conditioned hours of work of the civil service, the Chairman suggested that the relevant issues should be further discussed at a Panel meeting as early as possible. SCS said that the Administration had no objection to the suggestion. The Chairman requested the Clerk to include the subject in the list of outstanding items for discussion.

28. There being no other business, the meeting ended at 12:29 pm.

Council Business Division 1
Legislative Council Secretariat
15 August 2012