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**Panel on Public Service  
Meeting on 18 June 2012**

**Background brief on  
2012-2013 Civil Service Pay Adjustment**

**Purpose**

This paper provides background information on the civil service pay adjustment exercises in recent years, and summarizes the major concerns expressed by members of the Panel on Public Service ("the Panel") at meetings held in the past two years.

**Background**

2. Under the Improved Civil Service Pay Adjustment Mechanism, civil service pay is compared with private sector pay on a regular basis through three different surveys, namely (a) an annual pay trend survey ("PTS") to ascertain the year-on-year pay adjustment movements in the private sector; (b) a triennial starting salaries survey to compare the starting salaries of civil service civilian grades with the entry pay of jobs in the private sector requiring similar qualifications; and (c) a six-yearly pay level survey to ascertain whether civil service pay is broadly comparable with private sector pay.

The PTS Mechanism

3. The annual PTS is commissioned by a tripartite Pay Trend Survey Committee ("PTSC"), comprising representatives of the staff sides from the four central consultative councils, management representatives from the Administration, as well as members from the Standing Commission on Civil Service Salaries and Conditions of Service and the Standing Committee on Disciplined Services Salaries and Conditions of Service.

4. The survey findings are collated and condensed into three gross PTIs, one each for the upper, middle and lower salary bands<sup>1</sup>. (For details, please refer to paragraph 3 of the Legislative Council ("LegCo") Brief of file ref. CSBCR/PG/4-085-001/70 issued on 5 June 2012.) The payroll cost of increments incurred for civil servants in each salary band (expressed as a percentage of total salary payment for that particular salary band) is then deducted from the relevant gross PTI to arrive at the net PTI. PTSC has decided that in determining PTIs, pay adjustments due to the implementation of the statutory minimum wage should be disregarded.

Factors considered in making pay adjustment decisions

5. According to the Administration, in deciding on the rates of civil service pay adjustment each year, the Chief Executive in Council takes into account six factors under the established mechanism, namely the net PTIs, the state of Hong Kong's economy, changes in the cost of living, the Government's fiscal position, the pay claims of the staff sides and civil service morale. In respect of the civil service pay adjustment exercise this year, the Administration gives an account of these factors in paragraphs 5 to 13 of the aforesaid LegCo Brief.

6. A table showing the approved annual rates of civil service pay adjustment, the annual net PTIs and the annual changes in the Composite Consumer Price Index ("CCPI") for the period 1989-1990 to 2012-2013 is at **Appendix I** for members' information.

Pay adjustments for 2012-2013

7. As decided by the Chief Executive in Council on 12 June 2012, the civil service pay would be increased as follows -

Salary band	No. of Civil Servants	Net PTI	Pay adjustment rate
Directorate	1 304	N.A.	5.26%
Upper	18 034	5.26%	5.26%
Middle	115 823	5.80%	5.80%
Lower	23 997	4.56%	5.80%

<sup>1</sup> The pay ranges of the three salary bands for the 2012 PTS are –  
 (a) Upper: Above Master Pay Scale ("MPS") 33 to General Disciplined Services (Officer) Pay Scale ("GDS(O)") 39 or equivalent, viz. \$51,671 to \$103,900;  
 (b) Middle: From MPS 10 to 33 or equivalent, viz. \$16,855 to \$51,670; and  
 (c) Lower: Below MPS 10 or equivalent, viz. below \$16,855.

8. The coverage of the annual PTS does not include directorate civil servants. Following the established practice, the pay adjustment rate for them is the same as that for the upper salary band. The pay adjustment for civil servants in the lower salary band has incorporated the "bring-up" arrangement<sup>2</sup>.

### **Panel meetings on 21 June 2010 and 20 June 2011**

9. In June each year, the Administration briefs the Panel on the civil service pay adjustment decisions made by the Chief Executive in Council in the respective year. Views and concerns expressed by Panel members at the previous two meetings in June 2010 and 2011 are summarized in ensuing paragraphs.

#### Factors considered in making pay adjustment decisions

10. At the Panel meeting on 21 June 2010, some members expressed dissatisfaction about the 0.56% salary increase for the lower salary band, as they noted that the forecast inflation rate for 2010 was much higher. To avoid affecting the standard of living of civil servants in the lower salary band, they urged the Administration to place greater emphasis on changes in the cost of living when deciding on the civil service pay adjustment rates.

11. The Administration responded that the decisions on the civil service pay adjustment rates would not mechanically follow the rate of inflation or deflation and regard would be given to the factors listed in paragraph 5 above.

#### Pay adjustments for non-civil service contract staff and agency workers

12. In both meetings, members expressed the need for the Administration to implement similar pay adjustment for the non-civil service contract ("NCSC") staff and agency workers working for the Government. They worried that with the aggravation of the problem

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<sup>2</sup> Under the "bring-up" arrangement, the pay adjustment for civil servants in the lower salary band will be aligned to the net PTI of the middle salary band if the latter is higher than the net PTI of the lower salary band. This arrangement was introduced in 1989 upon the recommendation of the 1988 Committee of Inquiry on the ground, amongst others, that the majority of the lower-paid staff had reached the maximum pay points and were no longer eligible for annual increments. The reason mentioned in the LegCo Brief for invoking the "bring-up" arrangement this year was the inflationary pressure in 2011-2012.

"different pay for the same job", NCSC staff might feel aggrieved, in particular those who had been recruited for work where the mode of delivery was under review or likely to be changed and those who had worked in the bureaux and departments ("B/Ds") concerned for a long time. They noted with concern that about half of some 15 000 NCSC staff had already worked for the Government for over three years, with some even having worked for ten years, and that over 70% of NCSC staff were receiving monthly pay of less than \$15,000. Members also considered it unfair that while the additional fund required for civil service pay adjustment could be sought from the Finance Committee, the cost for increasing the pay for NCSC staff would have to be absorbed by B/Ds concerned. To encourage B/Ds to increase the pay for their NCSC staff for the sake of fairness, additional fund should come from a separate Head of Expenditure instead of from individual B/Ds' operating expenditure envelopes. Emphasizing that the Secretary for the Civil Service had the responsibility of ensuring that employees of the Government were offered fair and reasonable pay, they felt strongly that NCSC staff and agency workers should not be discriminated against.

13. The Administration responded that as NCSC staff were not civil servants, their terms and conditions of employment were therefore different from those of the civil servants. The Administration did not consider that the pay adjustment for civil servants should be automatically applied to them. Nevertheless, Head of Departments were provided with the necessary flexibility to review and adjust, where appropriate, the pay of their NCSC staff to keep up with the market level. In this respect, the Administration was not aware of any case where, due to financial constraints, a B/D was unable to increase the pay for its NCSC staff as appropriate. As for agency workers, reasonable pay for them had been ensured by various improvement measures, for instance, all bidders for public services were advised that their bids would not be considered if the quoted wages were less than the average monthly salary of miscellaneous non-production workers in selected industries published in the latest Census and Statistics Department's Quarterly Report on Wage and Payroll Statistics at the time when tenders were invited. Anyhow, in circumstances where agency contracts had been signed, the agency workers concerned would have to be paid according to the level specified in the contracts.

#### Pay adjustments for staff of the subvented sector

14. Members were concerned that notwithstanding the funding set aside for salary adjustments, it would still be up to individual subvented

bodies to decide the level of salary adjustment for their employees. This was unfair and might lead to disputes between staff and management.

15. The Administration advised that additional subventions provided to subvented bodies were meant to enable them to adjust the pay of their staff. However, the Administration did not find it appropriate to specify how these bodies should adjust the pay of their staff, the reason being that the pay of subvented sector staff had already been delinked from the pay scales and pay adjustment of the civil service.

#### Time lag in implementation of pay adjustments

16. Some members considered that due to the time taken to conduct PTS and make pay adjustment decisions, civil service pay adjustments were always found to be lagging behind the economic cycle.

17. The Administration advised that there would inevitably be delays as long as the existing civil service pay adjustment mechanism was operating with reference to the PTS, which collected data on the actual year-on-year pay adjustment movements in the private sector in the past 12 months.

#### **Latest developments**

18. The Administration has proposed to brief the Panel on the Administration's decisions on the civil service pay adjustment for 2012-2013 at the meeting on 18 June 2012.

19. A list of relevant papers is in **Appendix II**.

Council Business Division 1  
Legislative Council Secretariat  
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## Appendix I

### Civil Service Pay Adjustments between 1989-1990 and 2012-2013

Financial Year	Salary Band	Net PTI (%)	Pay Adjustment Rate (%) #	Annual Change in CCPI (%)
1989-1990	Upper	13.43	13.43	10.2
	Middle	14.81	14.81	
	Lower	14.66	14.81 *	
1990-1991	Upper	17.00	15.00	10.8
	Middle	16.46	15.00	
	Lower	15.11	15.00	
1991-1992	Upper	11.88	10.43	11.0
	Middle	12.49	10.43	
	Lower	12.09	10.43	
1992-1993	Upper	11.17	11.17	9.4
	Middle	10.82	11.60	
	Lower	10.68	11.60 *	
1993-1994	Upper	9.76	9.76	8.5
	Middle	10.66	10.66	
	Lower	10.54	10.66 *	
1994-1995	Upper	9.47	9.47	9.2
	Middle	9.89	9.89	
	Lower	9.69	9.89 *	
1995-1996	Upper	9.98	9.98	8.4
	Middle	10.14	10.14	
	Lower	9.61	10.14 *	
1996-1997	Upper	7.68	7.68	6.1
	Middle	7.67	7.67	
	Lower	6.83	7.67 *	
1997-1998	Upper	6.90	6.90	5.6
	Middle	6.81	6.81	
	Lower	6.38	6.81 *	

# All pay adjustments took effect from the beginning of the financial year (i.e. 1 April) unless otherwise stated.

\* The "bring-up" arrangement was invoked

<b>Financial Year</b>	<b>Salary Band</b>	<b>Net PTI (%)</b>	<b>Pay Adjustment Rate (%) #</b>	<b>Annual Change in CCPI (%)</b>
1998-1999	Upper	6.03	6.03	1.1
	Middle	5.79	5.79	
	Lower	5.01	5.79 *	
1999-2000	Upper	-0.13	Pay freeze	-4.8
	Middle	0.84	Pay freeze	
	Lower	-0.54	Pay freeze	
2000-2001	Upper	-0.41	Pay freeze	-3.0
	Middle	-1.97	Pay freeze	
	Lower	-1.78	Pay freeze	
2001-2002	Upper	4.99	4.99	-1.8
	Middle	2.38	2.38	
	Lower	1.97	2.38	
2002-2003 <sup>3</sup>	Upper	-4.42	-4.42	-2.9
	Middle	-1.64	-1.64	
	Lower	-1.58	-1.58	
2003-2004 <sup>4</sup>	Upper	-	-3.01	-2.6
	Middle	-	-3.07	
	Lower	-	-3.13	
2004-2005 <sup>4</sup>	Upper	-	-3.10	0.1
	Middle	-	-3.17	
	Lower	-	-3.23	
2005-2006 <sup>5</sup>	Upper	-	-	1.5
	Middle	-	-	
	Lower	-	-	

# All pay adjustments took effect from the beginning of the financial year (i.e. 1 April) unless otherwise stated.

\* The "bring-up" arrangement was invoked

<sup>3</sup> The pay reduction took effect from 1 October 2002.

<sup>4</sup> The PTS was suspended in 2003-2004 and 2004-2005. The dollar values of civil service pay points below Directorate Pay Scale Point 3 (D3) or equivalent were restored to the level as at 30 June 1997 in cash terms by two broadly equal adjustments effective from 1 January 2004 and 1 January 2005; and the dollar values of civil service pay points at D3 and above or equivalent were restored to the level as at 30 June 1997 in cash terms with effect from 1 January 2004.

<sup>5</sup> The PTS was suspended in 2005-2006 and 2006-2007 pending the completion of the Pay Level Survey using 1 April 2006 as the reference date. No civil service pay adjustment was effected.

<b>Financial Year</b>	<b>Salary Band</b>	<b>Net PTI (%)</b>	<b>Pay Adjustment Rate (%) #</b>	<b>Annual Change in CCPI (%)</b>
2006-2007 <sup>5</sup>	Upper	-	-	2.0
	Middle	-	-	
	Lower	-	-	
2007-2008	Upper	4.96	4.96	2.7
	Middle	4.62	4.62	
	Lower	3.91	4.62 *	
2008-2009	Upper	6.30	6.30	3.6
	Middle	5.29	5.29	
	Lower	3.90	5.29 *	
2009-2010 <sup>6</sup>	Upper	-5.38	-5.38	0.6
	Middle	-1.98	Pay freeze	
	Lower	-0.96	Pay freeze	
2010-2011	Upper	1.60	1.60	2.9
	Middle	0.56	0.56	
	Lower	0.16	0.56 *	
2011-2012	Upper	7.24	7.24	5.6
	Middle	6.16	6.16	
	Lower	5.16	6.16 *	
2012-2013	Upper	5.26	5.26	Available in April 2013
	Middle	5.80	5.80	
	Lower	4.56	5.80 *	

# All pay adjustments took effect from the beginning of the financial year (i.e. 1 April) unless otherwise stated.

\* The "bring-up" arrangement was invoked

<sup>6</sup> The pay reduction for the upper salary band took effect from 1 January 2010.



**List of relevant papers on  
2012-2013 Civil Service Pay Adjustment**

Date	Meeting/Event	Relevant Link
21 June 2010	Panel on Public Service	<p>Administration's papers on 2010-2011 civil service pay adjustment (Legislative Council Briefs)</p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps0621-csbcprg408500167-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps0621-csbcprg408500167-e.pdf</a></p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps0621-csbcprg408500167_100615-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps0621-csbcprg408500167_100615-e.pdf</a></p> <p>Minutes of the meeting (LC Paper No. CB(1)201/10-11)</p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/ps/minutes/ps20100621.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ps/minutes/ps20100621.pdf</a></p>
20 June 2011	Panel on Public Service	<p>Administration's papers on 2011-2012 civil service pay adjustment (Legislative Council Briefs)</p> <p><a href="http://www.legco.gov.hk/yr10-11/english/panels/ps/papers/ps0620-csbcprg408500169-e.pdf">http://www.legco.gov.hk/yr10-11/english/panels/ps/papers/ps0620-csbcprg408500169-e.pdf</a></p> <p><a href="http://www.legco.gov.hk/yr10-11/english/panels/ps/papers/ps0620-csbcprg408500169a-e.pdf">http://www.legco.gov.hk/yr10-11/english/panels/ps/papers/ps0620-csbcprg408500169a-e.pdf</a></p> <p>Minutes of the meeting (LC Paper No. CB(1)173/11-12)</p> <p><a href="http://www.legco.gov.hk/yr10-11/english/panels/ps/minutes/ps20110620.pdf">http://www.legco.gov.hk/yr10-11/english/panels/ps/minutes/ps20110620.pdf</a></p>