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25 July 2012

Clerk to Panel
Panel on Public Service
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Mr Simon CHEUNG)

Dear Mr Cheung,

Panel on Public Service
Follow-up to meeting on 18 June 2012

Thank you for your letter of 10 July 2012, enclosing a list of follow-up actions after the Panel Meeting on 18 June 2012.

Regarding item 11 on the list, we have prepared at **Annex** information on pay adjustments for non-civil service contract staff for Members' reference.

We would be grateful if you could kindly pass this letter to Members for information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Winnie Chui'.

(Winnie Chui)
for Secretary for the Civil Service

Encl.

For Information

**Legislative Council Panel on Public Service
Follow-up to the Meeting on 18 June 2012**

At the meeting of the Legislative Council Panel on Public Service (the Panel) on 18 June 2012, the Administration briefed the Panel on the 2012-13 civil service pay adjustment. Details of the pay adjustment proposal are set out in CSB CR/PG/4-085-001/70. During the meeting, Members asked and the Administration undertook to provide information on pay adjustments for non-civil service contract (NCSC) staff as far as possible.

Determination of Pay of NCSC Staff

2. NCSC staff members are not part of the permanent civil service establishment. They have distinctive employment packages and pay adjustment mechanism which are different from those adopted for civil servants.

3. Under the NCSC Staff Scheme, Heads of Bureaux/Departments/Offices (hereafter referred to HoDs) are given the authority and discretion to determine the employment packages for their NCSC staff that are most suited to their operational needs, subject to two broad guiding principles, namely the terms and conditions of service for NCSC staff should be no less favourable than those provided for under the Employment Ordinance, and no more favourable than those applicable to civil servants in comparable civil service ranks or ranks of comparable level of responsibilities. The pay for NCSC staff, specifically, should not exceed the mid-point salaries of comparable civil service ranks or civil servants undertaking comparable levels of responsibilities.

Determination of NCSC Staff Pay Adjustment

4. In addition, HoDs have the discretion to determine whether pay adjustments should be implemented for their NCSC staff, and if so, the level of adjustments. In doing so, HoDs are required to take into

account a basket of factors, including the employment market situation, recruitment results, staff retention needs, cost of living, civil service pay adjustment, prevailing statutory minimum wage, etc.; and to comply with the two guiding principles mentioned above. In ascertaining the employment market situation, HoDs may make use of market data published or otherwise accessible to them. We consider that the current NCSC staff pay adjustment mechanism provides HoDs with the necessary flexibility to set, and where appropriate adjust, the pay of their NCSC staff.

Information on NCSC Staff Pay Adjustment

5. The management of NCSC staff rests with HoDs. Civil Service Bureau does not require bureaux/departments (B/Ds) to report on the pay adjustments for their NCSC staff and therefore does not have pay adjustment information of all NCSC staff. That said, we have collected information about the pay adjustments made to NCSC staff from eight major NCSC user B/Ds¹ in the past three years. Together, these eight B/Ds employed about 60% of all NCSC staff as at the end of June 2011. The relevant information is provided in the ensuing paragraphs.

6. As explained in paragraph 4 above, apart from the rate of civil service pay adjustment, HoDs should also consider a host of other factors which are not identical to those relevant to the civil service pay adjustment in determining the level of pay adjustment for NCSC staff. For instance, some B/Ds may take into account the pay adjustments of the individual economic sectors/jobs in the private sector with specific relevance to their B/D, the need to source special expertise in the market and/or the need to retain them for a limited period of time etc.. These considerations may not be applicable to the entire civil service. This explains why the pay adjustment level for NCSC staff and that for civil servants are not directly comparable, and why the rates of adjustment may differ for these two types of government employees. HoDs, having considered all relevant factors, may adjust the pay for their NCSC staff at a level identical to, higher or lower than the civil service pay adjustment level. This was actually the case for the eight major NCSC user B/Ds in the past three years as illustrated in the table below. Besides, it should also be noted that, in years where there was a pay increase for the civil service (2010-11 and 2011-12), the vast majority (over 90%) of NCSC

¹ These eight major user B/Ds are Census and Statistics Department, Department of Health, Education Bureau, Electrical and Mechanical Services Department, Hongkong Post, Leisure and Cultural Services Department, Registration and Electoral Office and Student Financial Assistance Agency (in alphabetical order).

staff in the eight major user B/Ds also received a pay rise. Even when the pay of the civil service was frozen² or deducted³ in 2009-10, around 40% of the NCSC staff still had a pay increase.

Comparison of the pay adjustments for NCSC staff in the eight major user B/Ds and civil servants from 2009-10 to 2011-12

	2009-10	2010-11	2011-12
Civil service pay adjustment rate ⁴	Upper: -5.38% Middle: freeze Lower: freeze	Upper: 1.60% Middle: 0.56% Lower: 0.56%	Upper: 7.24% Middle: 6.16% Lower: 6.16%
Percentage of NCSC staff with pay increase	39.5%	91.8%	98.0%
Percentage of NCSC staff with pay adjustment rate higher than civil servants ⁵	41.3% ⁶	58.5%	8.0%
Number of NCSC staff with pay adjustment rate same as ⁷ civil servants	58.7% ⁸	33.0%	53.4%

² The pay of civil servants in the middle and lower salary bands was frozen in 2009-10.

³ The pay of civil servants in the directorate and the upper salary band was deducted by 5.38% in 2009-10. The pay deduction took effect from 1 January 2010.

⁴ Annual pay adjustments for civil servants are made according to three salary bands, viz. the upper salary band (including those paid above Master Pay Scale (MPS) 33 to General Disciplined Services (Officer) Pay Scale 39 or equivalent); the middle salary band (those paid from MPS 10 to 33 or equivalent) and the lower salary band (those paid below MPS 10 or equivalent).

⁵ Referring to NCSC staff with pay adjustment rates higher than their civil servant counterparts in the same salary bands by more than 0.5% in that year.

⁶ Including NCSC staff in the upper salary band with pay increase or pay freeze in that year.

⁷ Referring to NCSC staff with pay adjustment rates within plus or minus 0.5% of those for their civil service counterparts in the same salary bands in that year.

⁸ Including NCSC staff in the upper salary band with pay reduction of 5.38% and those in the middle and lower salary bands with pay freeze.

Number of NCSC staff with pay adjustment rate lower than civil servants ⁹	0%	8.5%	38.6%
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7. To conclude, the pay adjustment mechanisms for the civil service and NCSC staff are different as explained above. Given the nature of the NCSC Staff Scheme, HoDs should be given the flexibility to manage their NCSC staff in a manner most befitting their operational needs which includes the flexibility to determine and adjust the latter's pay.

**Civil Service Bureau
July 2012**

⁹ Referring to NCSC staff with pay adjustment rate lower than their civil servant counterparts in the same salary bands by more than 0.5% in that year.