

**立法會**  
**Legislative Council**

LC Paper No. CB(4)995/12-13  
(These minutes have been  
seen by the Administration)

Ref : CB4/PL/PS

**Panel on Public Service**

**Minutes of special meeting held on  
Tuesday, 2 July 2013, at 5:30 pm  
in Conference Room 1 of the Legislative Council Complex**

- Members present** : Hon Mrs Regina IP LAU Suk-ye, GBS, JP (Chairman)  
Hon POON Siu-ping, BBS, MH (Deputy Chairman)  
Hon LEE Cheuk-yan  
Hon Emily LAU Wai-hing, JP  
Hon LEUNG Kwok-hung  
Hon Claudia MO  
Hon LEUNG Che-cheung, BBS, MH, JP  
Hon KWOK Wai-keung  
Hon SIN Chung-kai, SBS, JP  
Hon IP Kin-yuen  
Hon TANG Ka-piu  
Hon Tony TSE Wai-chuen
- Member attending** : Hon IP Kwok-him, GBS, JP
- Members absent** : Hon TAM Yiu-chung, GBS, JP  
Dr Hon LEUNG Ka-lau  
Hon Martin LIAO Cheung-kong, JP

**Public Officers  
attending**

**: Agenda item I**

Mr Paul TANG, JP  
Secretary for the Civil Service

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

Ms May CHAN, JP  
Deputy Secretary for the Civil Service 2

Miss Winnie CHUI  
Principal Assistant Secretary (Pay & Leave)  
Civil Service Bureau

**Attendance by  
invitation**

**: Agenda item I**

Senior Civil Service Council (Staff Side)

Mr WONG Hyo, Peter  
Chairman

Hong Kong Chinese Civil Servants' Association

Ms LI Kwai-yin  
Vice-President

Mr LEUNG Wai-ming  
Councillor

Hong Kong Senior Government Officers Association

Mr WONG Hung-lok, Steven  
Vice-Chairman

Government Disciplined Services General Union

Mr LAM Kwok-ho  
Chairman

Mr TAM Sai-wah, Philip  
Secretary General

Model Scale 1 Staff Consultative Council (Staff Side)

Ms LI Wai-yee  
Chairman

Mr LEUNG Tat-wah  
Member

HKSAR Government Employees General Union

Mr KONG Ming-chung  
Chairman

Association of Customs & Excise Service Officers

Mr CHAN Yiu-lung  
Vice-Chairman

Disciplined Services Consultative Council (Staff Side)

Mr LEE Kwan-kit  
Chairman

Mr SO Chau-ming  
Member of Chairman Group

Government Employees Association

Mr SUEN Ming-fung  
Chairman

Mr Steven TSE  
Rights Officer

**Clerk in attendance** : Ms Anita SIT  
Chief Council Secretary (4)1

**Staff in attendance** : Ms Shirley CHAN  
Senior Council Secretary (4)1

Ms Angela CHU  
Council Secretary (4)1

Ms LAM Yuen-kwan  
Legislative Assistant (4)1

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Action

**I. 2013-2014 Civil Service Pay Adjustment**

(File Ref.: CSBCR/PG/4-085-001/72 -- Legislative Council Brief on "2013-14 Civil Service Pay Adjustment" issued by the Civil Service Bureau on 4 June 2013

File Ref.: CSBCR/PG/4-085-001/72 -- Legislative Council Brief on "2013-14 Civil Service Pay Adjustment" issued by the Civil Service Bureau on 11 June 2013

LC Paper No. CB(4)771/12-13(03) -- Updated background brief on 2013-14 Civil Service Pay Adjustment prepared by the Legislative Council Secretariat

LC Paper No. CB(4)778/12-13(01) -- Joint letter from Hon TANG Ka-piu and Hon KWOK Wai-keung)

. Members noted the following two submissions tabled at the meeting –

- (a) submission from Senior Civil Service Council (Staff Side); and
- (b) submission from Association of Customs & Excise Service Officers.

*(Post-meeting note: The above submissions were issued to members on 3 July 2013 after the meeting via LC Paper No. CB(4)851/12-13.)*

Action

Presentation of views by deputations

*Senior Civil Service Council (Staff Side)*  
(LC Paper No. CB(4)851/12-13(01))

2. Mr Peter WONG presented the Council's views. He said that the Council had participated in the civil service pay adjustment exercises since 1974 and was very familiar with the mechanism. He expressed dissatisfaction that the Administration had mentioned in the Legislative Council ("LegCo") Brief issued on 4 June 2013 that the pay offers for 2013-14 were "pegged" to the net Pay Trend Indicators ("PTIs") for the respective salary bands. He clarified that civil service pay adjustments had never been pegged to PTIs. The cost of living had always been an essential factor to consider in deciding the pay adjustments in the past. He did not see how the Administration had fully consulted the staff sides in the course of determining this year's pay adjustment, and queried if this year's pay offers could allow civil servants to share the fruit of economic success of Hong Kong.

*Hong Kong Chinese Civil Servants' Association*  
(LC Paper No. CB(4)791/12-13(03))

3. Ms LI Kwan-yin presented the Association's views. She said that the Administration had deviated from the established civil service pay adjustment mechanism by pegging the 2013-14 pay adjustment to the net PTIs. She criticized the Secretary for the Civil Service ("SCS") for publicizing the pay offers made by the Chief Executive-in-Council ("CE-in-Council") on 4 June 2013 before the staff sides of the four civil service central consultative councils submitted their counter-proposals. This arrangement had misled the public into believing that the civil servants' demands were unreasonable and ruined the good image of civil servants in the public eye. She queried if SCS had ever explained to the public that civil servants were allowed to make counter-proposals to the CE-in-Council's pay offers under the existing pay adjustment mechanism. To resolve the grievances among civil servants, she urged SCS to improve communication with the staff sides and seriously consider their views in future.

*Hong Kong Senior Government Officers Association*  
(LC Paper No. CB(4)791/12-13(02))

4. Mr Steven WONG presented the Association's views. He said that

## Action

the Association was greatly disappointed with the pay adjustment decision made by the CE-in-Council and remained unconvinced of SCS's claim that the CE-in-Council had taken into account all six relevant factors in making the decision. It was regrettable that the CE-in-Council had not seriously considered the demands of the staff sides in making the final decision. Regarding the 2013 Pay Trend Survey ("PTS"), he queried the accuracy of the net PTI for the upper salary band since it might not have fully reflected the benefits/payments in addition to salaries received by employees of the private sector. He also commented that it was improper for SCS to publicly state that the senior civil servants had a greater capacity to cope with pay adjustments below inflation. To express the Association's frustration and dissatisfaction, the Association would invite other members of the staff sides to jointly make a request to the Chief Executive ("CE") for appointing a Committee of Inquiry to look into the matter under the 1968 Agreement.

### *Government Disciplined Services General Union*

5. Mr LAM Kwok-ho presented the Union's views. He said that the Union did not see that the CE-in-Council had given sufficient weight to some relevant factors, especially the civil service morale and changes in the cost of living, in determining the 2013-14 pay rise. The 2013-14 pay rise should not be pegged to the net PTIs, and the 2.55% pay increase for civil servants in the upper salary band was unacceptably low. As many civil servants were concerned with the reliability of PTS, he called on the Administration to conduct a thorough review of the civil service pay mechanism.

### *Model Scale 1 Staff Consultative Council (Staff side)*

6. Ms LI Wai-ye presented the Council's views. She said that the Council was disappointed with the 3.92% pay increase for civil servants in the lower salary band. Taking into consideration that the year-on-year change in the Consumer Price Index A ("CPI (A)") for the 2012-13 financial year was 4.42% and that the cost of living was on the rise, she considered that a pay increase of 5% was necessary for civil servants in the lower salary band to maintain their living standard. Since the CE-in-Council had already made its decision, the Council had no choice but to accept it unwillingly. Looking ahead, she hoped that the Administration would improve the current staff consultation mechanism and pay heed to the views of the staff sides.

Action

*HKSAR Government Employees General Union  
(LC Paper Nos. CB(4)778/12-13(02) and CB(4)842/12/13(01))*

7. Mr KONG Ming-chung presented the Union's views. He said that the Union was dissatisfied with the fact that the CE-in-Council had not given sufficient consideration to factors other than the net PTIs in determining the 2013-14 pay adjustment. He commented that the Administration's poor arrangement in announcing the CE-in-Council's decision had damaged the overall civil service morale and undermined the stability within the civil service. He further said that as the largest employer in Hong Kong, the Administration should take account of wider community interests in determining civil service pay adjustment as it would have a leading effect on the pay rise of employees in the private sector.

*Association of Customs & Excise Service Officers  
(LC Paper No. CB(4)851/12-13(02))*

8. Mr CHAN Cho presented the Association's views. He said that the Administration had neither provided sufficient time for civil service associations/unions to consider the pay offers, nor given direct responses to the questions raised by various civil service associations/unions. To reinstate the trust between civil servants and the Government, the Administration should critically review the PTS methodology including the current arrangement of deducting the "payroll cost of increments" from the gross PTIs. Such arrangement was unfair to the civil servants who had reached their maximum pay points. He added that civil servants in the upper salary band had always received less favorable pay adjustments over the past years, and this had narrowed the salary gap between civil servants in the upper and middle salary bands.

*Disciplined Services Consultative Council (Staff side)*

9. Mr LEE Kwan-kit presented the Council's views. He said that same as employees of the private sector, civil servants also had expectation on every year's pay adjustment. He considered that the 2013-14 pay rise should be not less than 4.42%, which was the year-on-year change in CPI(A) for the 2012-13 financial year. He expressed regret to the open remarks made by SCS on this issue which had caused much misunderstanding among the public of the staff sides' counter-proposals and the pay adjustment mechanism. Noting that some representatives from the staff sides had announced their withdrawal from the Pay Trend Survey Committee ("PTSC"), he urged the Administration to re-consider setting up

Action

an independent pay adjustment mechanism for all disciplined services grades.

*Government Employees Association  
(LC Paper No. CB(4)839/12-13(01))*

10. Mr SUEN Ming-fung presented the Association's views. He said that the Association was greatly disappointed with this year's pay adjustment decision. Under the existing mechanism, civil servants had made justified counter-proposals to the pay offers made by the CE-in-Council, but their proposals had not been seriously considered. He urged the Administration to review the existing pay adjustment mechanism in collaboration with all relevant stakeholders.

11. The Chairman and members thanked the deputations for attending the meeting to express their views. Members noted that the Police Force Council (Staff Side), which did not attend the meeting, had provided a submission (LC Paper No. CB(4)839/12-13(02)).

The Administration's response to the concerns of deputations

12. At the Chairman's invitation, SCS made the following points in response to the deputations' views -

- (a) In determining the 2013-14 civil service pay adjustment, the CE-in-Council had considered all the six relevant factors, namely the net PTIs, the state of Hong Kong's economy, changes in the cost of living, the Government's fiscal position, pay claims of staff sides, and civil service morale. Details of the considerations were set out in paragraphs 3 to 12 of the LegCo Brief issued on 4 June 2013. Paragraphs 13 and 14 of the LegCo Brief should be read together and in the context of these paragraphs.
- (b) Apart from the net PTIs, the other five factors could not be easily quantified and required the exercise of judgement. The CE-in-Council's decision to adjust the pay according to the net PTIs for the respective salary bands had struck a balance between all the relevant considerations and was in line with the policy of maintaining broad comparability between civil service and private sector pay. Such decision did not imply that the CE-in-Council had lost sight of the other five



Action

relevant factors and followed the net PTIs mechanically. In fact, the CE-in-Council had, after considering all relevant factors, decided to adjust the civil service pay in accordance with the net PTIs on most occasions since 1989-90.

- (c) In the past, there were occasions where civil service pay adjustments did not follow the net PTIs, e.g. when the inflation rates were high at double-digit level or when the net PTIs were negative. Each pay adjustment exercise was a separate and independent exercise and each decision was made on the basis of the considerations pertinent to the prevailing circumstances.
- (d) One key aspect of the Government's civil service pay policy was to maintain broad comparability between civil service and private sector pay. Findings of the PTS were therefore one of the factors in deciding on pay adjustment. Since the PTS reflected the year-on-year change of the past year, civil service pay would follow rather than lead the private sector on pay adjustment.
- (e) Civil service pay adjustment did not aim at tracking inflation. Under the current mechanism, civil service pay adjustment could be higher or lower than the inflation rate. Since 1989-90, there had been 13 occasions on which the annual civil service pay adjustment for all salary bands was higher than the Composite Consumer Price Index ("CCPI") and eight occasions with the opposite result. In fact, this year's pay adjustment for civil servants in the middle and lower salary bands (3.92%) were comparable to the changes in the 2012-13 headline CCPI (3.7%). As CPI(A) was related to households in the relatively low expenditure range which could not truly reflect the impact on most civil servants, the Administration was of the view that the CCPI, which reflected the overall consumer price inflation, should be a better reference in considering the changes in the cost of living.
- (f) The Administration attached great importance to staff morale and noted that some civil servants were disappointed with this year's pay rise. However, it was imperative for the Government to uphold the well-established practice since policy consistency was also important to the maintenance of civil service morale and the credibility of civil service pay

Action

policy in the eyes of the public. The Administration would continue to work on various means to sustain staff morale, including the provision of additional manpower as appropriate to alleviate the increasing work pressure among civil servants and the enhancement of communication between the management and staff.

- (g) The 2013 PTS was conducted in full compliance with the established mechanism and methodology agreed by the PTSC which comprised representatives of the staff sides, the Administration as well as two independent advisory bodies on civil service salaries and conditions of service. The PTSC had convened meetings to discuss the methodology of the 2013 PTS prior to the conduct of survey. It was agreed that long-term incentive awards such as shares and options should not be included in the PTI calculation due to the difficulty in quantifying these payments in monetary terms. For the 2014 PTS, the PTSC had been invited to commence the review of the PTS methodology earlier with a view to identifying improvements which would be acceptable by both the civil service and the public. The Administration would continue to maintain active and close communication with the staff sides in this regard.
  
- (h) The deduction of "payroll cost of increments" from the gross PTI to arrive at the net PTI was recommended by a Committee of Inquiry set up in 1988. The Committee considered that the annual PTS should include all take-home pay by employees in the private sector, including merit pay and increments. For the sake of fairness, the increment payment made to civil servants who had not yet reached the maximum pay points of their ranks should also be taken into account. In fact, the amount of "payroll cost of increments" to be deducted would decrease when the number of civil servants who had reached the maximum pay points increased.
  
- (i) According to the "1968 Agreement", the staff side of the Senior Civil Service Council ("SCSC") could make a request to CE for setting up a Committee of Inquiry to look into a dispute between the management side and staff side of the SCSC if the matter of dispute was not trivial, not a matter of

## Action

settled public policy or would not affect the security of the HKSAR.

- (j) There was no policy on the level of salary difference between different salary bands. However, suitable arrangements had been made to ensure that there was a reasonable difference between the maximum salary point of a lower salary band and the minimum salary point of the next higher salary band.
- (k) Officers of the disciplined services were also part of the civil service. It had been discussed extensively in the past as to whether an independent pay adjustment mechanism should be set up for the disciplined services. The conclusion was that with an independent Standing Committee on Disciplined Services Salaries and Conditions of Service looking into matters relating to the salaries and conditions of service of the disciplined services grades, the Administration did not see the need to set up an independent pay adjustment mechanism for disciplined services. The annual pay adjustment was meant to take into account the year-on-year change in the private sector and make across-the-board adjustments for the whole civil service.

## Discussion

### *Civil service pay adjustment mechanism*

13. Mr LEE Cheuk-yan shared the deputation's view that the Administration should allow civil servants to share the fruit of economic success of Hong Kong. In order to maintain the purchasing power of civil servants, he called on the Administration to make it a policy that the civil service pay adjustments should not be less than the prevailing inflation rates. Mr TANG Ka-piu and Ms Claudia MO expressed support to Mr LEE's suggestion. Mr TANG considered that given the high inflation, the pay adjustments should not lag behind inflation.

14. SCS reiterated that under the existing mechanism, civil service pay adjustment decisions were based on a basket of factors and the rate of adjustments could be higher or lower than the inflation rates. As Mr LEE's proposal would imply a fundamental change to the civil service pay adjustment mechanism, such change would require very careful

## Action

consideration by all relevant stakeholders including the independent advisory bodies on civil service salaries and conditions of service. Any deviation from the established practice would arouse concerns about the consistency and credibility of the existing pay policy.

15. Noting that the civil service pay adjustments were mostly equal to the net PTIs in the past, Mr IP kin-yuen asked if the Administration would consider stating clearly that the net PTIs were the most important consideration in determining the civil service pay adjustments and list out details of the circumstances under which the pay adjustments would deviate from the net PTIs.

16. The Chairman said that despite the Government's surplus fiscal position in 2012-13, the Administration was not willing to increase the pay offers made to the staff sides after considering their claims. She enquired if it was the Administration's intention to fix the civil service pay adjustments at the net PTIs in future. Given that the Administration had adopted a stringent attitude in granting pay rise to civil servants in 2013, she also asked if the Administration would adopt a more generous approach in granting pay rise in 2014 so as to take into account the "shortfall" in salary adjustment in 2013.

17. SCS reiterated that in determining the 2013-14 pay adjustment, the CE-in-Council had considered all the six relevant factors under the established mechanism. Regarding next year's pay adjustment exercise, he believed that the CE-in-Council would make appropriate decisions on the basis of the prevailing circumstances at that time.

### *Pay Trend Survey methodology*

18. Mr LEUNG Kwok-hung commented that the current practice of deducting the "payroll costs of increments" incurred for civil servants in each salary band from the gross PTIs was unfair to the civil servants who had reached the maximum point of their pay scale. Mr IP Kin-yuen asked if additional allowance could be offered to these civil servants to recognize the fact that they were affected by the deduction of "payroll costs of increments" and yet they were no longer eligible for annual increments.

19. SCS replied that that any fundamental change to the existing PTS mechanism would need to be thoroughly considered and discussed by the representatives of all the three sides on the PTSC and major changes had to

## Action

be endorsed by the independent advisory bodies on civil service salaries and conditions of service and approved by the CE-in-Council.

### *Staff consultation arrangements*

20. Mr KWOK Wai-keung expressed dissatisfaction with the arrangement that SCS had announced the pay offers to the mass media before the staff sides were consulted on the pay offers. He said that this arrangement had caused much misunderstanding among the public of the staff sides' demands. Ms Claudia MO said that SCS had owed civil servants an apology as his open remarks had implied that civil servants were bad losers and did not respect the mechanism.

21. SCS clarified that he did not make such statements as alleged by Ms MO. He explained that as the civil service pay adjustment was an issue of wide public concern and involved the use of public funds, the Administration had the responsibility to explain the matter to the public. He clarified that as soon as the CE-in-Council had decided on the pay offers on 4 June 2013, the Civil Service Bureau ("CSB") had immediately conveyed the decision to the staff sides and to seek their views on the pay offers.

22. Noting that some deputations had mentioned that the staff consultation period was far too short for them to make a response, Ms Emily LAU and Ms Claudia MO requested the Administration to explain the relevant arrangement. SCS advised that by participating in PTSC, the staff sides had been kept informed of the progress and results of the 2013 PTS well before 4 June 2013. They should have sufficient time to prepare their pay claims. In order to ensure that back payment could be made in July, the Administration would need to submit its funding proposal to the Finance Committee of the LegCo in early July. He confirmed that the consultation arrangement for the 2013-14 Civil Service Pay Adjustment was not different from the established practice.

### *Civil service morale*

23. The Deputy Chairman enquired about the measures of the Administration for dealing with the low civil service morale and the withdrawal of staff sides' representatives from PTSC. As the time was running short for the conduct of the 2014 PTS, Mr TANG KA-piu expressed concern over the viability for the Administration to convince the

Action

representatives of the staff sides who had withdrawn from PTSC to participate in the committee again.

24. SCS assured members that the Administration would continue to work on various fronts to sustain staff morale and maintain active and close communication with relevant staff representatives. As the 2014 PTS would be conducted in early 2014, he had invited the PTSC to review the existing PTS mechanism as early as possible. The Administration did not have a predetermined stance on how the existing PTS mechanism should be improved as long as changes were regarded fair by both the public and civil servants. He hoped that all staff representatives would continue to participate in the PTSC.

*Deputations' view on the pay adjustment funding proposal*

25. Ms Emily LAU noted that nearly all deputations present had expressed dissatisfaction with 2013-14 civil service pay adjustment. She asked if any of them were of the view that the LegCo Members should reject the Administration's funding proposal on the pay adjustment which would be considered at the meeting of the Finance Committee on 12 July 2013. The Panel noted that notwithstanding their disappointment, the deputations hoped that the Finance Committee could approve the 2013-14 pay adjustment so that the adjustment could be effected retrospectively from 1 April 2013 and the back payment could be made in July 2013.

**II. Any other business**

26. There being no other business, the meeting ended at 8:08 pm.

Council Business Division 4  
Legislative Council Secretariat  
19 September 2013