

立法會
Legislative Council

LC Paper No. CB(4)545/12-13(03)

Ref: CB4/PL/PS

**Panel on Public Service
Meeting on 15 April 2013**

**Updated background brief on Starting Salaries Surveys
for the civil service**

Purpose

This paper provides background information on the Starting Salaries Surveys ("SSS") for the civil service, and summarizes the concerns and views expressed by members when the 1999 starting salary review and the subsequent starting salaries reviews were discussed by the Panel on Public Service ("the Panel").

Background

2. According to the Administration, the Government's civil service pay policy is to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service; and to ensure that civil service remuneration is regarded as fair by both civil servants and the public they serve through maintaining broad comparability between civil service and private sector pay. Under the Improved Civil Service Pay Adjustment Mechanism endorsed by the Executive Council in 2007, civil service pay is compared with private sector pay on a regular basis through three separate surveys, namely –

- (a) an annual Pay Trend Survey to ascertain year-on-year pay adjustments in the private sector;
- (b) a SSS every three years to compare the starting salaries of non-directorate civilian civil service grades with the entry pay of jobs in the private sector requiring similar qualifications; and

- (c) a Pay Level Survey ("PLS") every six years to ascertain whether civil service pay remains broadly comparable with private sector pay.

Determination of civil service starting salaries

3. Civil service starting salaries are determined using the qualification benchmark system, having regard primarily to educational qualifications and/or experiences required of individual basic ranks and to the entry pay for jobs requiring comparable requirements in the private sector. Basic ranks in the civil service are broadly divided into 12 Qualification Groups ("QGs") (**Appendix I**), each with one or two benchmark(s) set having regard to the entry pay in the private sector for jobs requiring similar educational qualifications and/or experiences as determined through previous SSSs. Where no comparable entry pay is found in the private sector for a QG, the benchmark is determined through its internal relativity with other QGs. The starting salaries of the basic ranks in individual grades in a QG are set on a par with, or one or more points higher¹ than, the said benchmark where it is justified for reasons relating to the job (i.e. the job factors).

Starting Salary Review conducted in 1999

4. The first specific review on civil service starting salaries was conducted in 1999² by the Standing Commission on Civil Service Salaries and Conditions of Service ("the Standing Commission"). The review findings showed that civil service entry pay had outstripped that in the private market. The Administration accepted the recommendations of the Standing Commission on the new benchmarks and starting salaries that the benchmarks for most of the 12 QGs of the civilian grades be lowered by 6% to 31% and those for the disciplined grades should be lowered by 3% to 17%, and that the starting salaries for a majority of the entry ranks for both the civilian grades and disciplined grades be lowered by one to at most six pay points.

¹ Except for special cases such as the assistant ranks for professional grades, for which the starting salaries are one or more points below the benchmark of their QG.

² Before the first specific review in 1999, civil service starting salaries were reviewed as part of the overall civil service salary structure reviews undertaken by the Standing Commission in 1979 and again in 1989.

5. The Panel discussed the findings of the 1999 review at its meetings on 22 July and 15 November 1999. Panel members expressed divided views on the recommendations on reduction in the starting salaries of basic ranks arising from the review. While some members recognized the need to bring civil service starting salaries in line with those in the private sector, other members shared the concern of civil service unions that the conduct of the review when Hong Kong's economy was at its worst was unfair to civil servants. In this respect, the Administration agreed that civil service pay reviews should be conducted more frequently. On members' concern about the implications of the proposed new benchmarks and starting salaries on the overall labour market, the Administration pointed out that the results of the review were only a move to follow, not to lead, the market.

6. The Administration's recommendations on reduction in the starting salaries of basic ranks arising from the 1999 review were submitted to the Establishment Subcommittee ("ESC") for consideration on 12 January 2000. ESC members in general considered that the consultation exercise on the reduction in civil service starting salaries incomplete and rejected the Administration's recommendations.

7. At the Administration's request, the Panel discussed the Administration's recommendations³ on the new civil service starting salaries again at its meeting on 17 January 2000. Some Panel members expressed concern that the implementation of the recommended revised starting salaries would result in a substantial difference in salaries between serving civil servants and new recruits of the same rank and affect staff morale. The Administration advised that the difference in salaries would only exist in the short term because a new recruit might make up the difference either by promotion or by reaching the maximum pay point of his rank. To address concerns about the implications of the new benchmarks and pay model on serving staff on in-service transfer, the Administration agreed to allow a great majority of serving staff on transfer to another grade to maintain their existing salary levels. Teachers on transfer between schools were also allowed to carry their existing pay upon transfer.

8. The Administration's recommendations on the revised civil service starting salaries were re-submitted to and endorsed by ESC on 26 January 2000 and approved by the Finance Committee ("FC") on 18 February 2000. The new starting salaries (lowered by one to at most six pay points) took effect on 1 April 2000.

³ The Administration did not make revisions to its recommendations but provided a supplementary information note [EC(1999-2000)37] to ESC.

The 2006 Starting Salaries Survey

9. The 2006 SSS was conducted by a consultant engaged by the Administration. Based on the findings of the 2006 SSS, the Administration recommended in May 2007 that the benchmarks for nine of the 12 QGs should be increased, and as a result, the starting salaries of some civilian grades and most disciplined grades be increased by one to at most five pay points.

10. The Administration indicated that in order to ensure that the pay of serving civil servants would not be worse off than new recruits (except for new recruits awarded with incremental credits for relevant previous experience), the normal conversion arrangement would be adopted for civil servants appointed to entry ranks on or after 1 April 2000 and were still serving in entry ranks (hereafter referred to as "affected serving civil servants"). Under the normal conversion arrangement, the pay of affected serving civil servants would be -

- (a) brought up to the revised higher entry pay point if their existing pay was below the new starting salary; and
- (b) brought up to the next higher pay point (including incremental jump and omitted points, if any) subject to the maximum pay point of their ranks⁴, if their existing pay was equal to or above the revised higher starting salary.

11. The Panel was briefed on the application of the findings of the 2006 SSS to the civil service at its meeting on 21 May 2007. Some members were gravely concerned about the adoption of the normal conversion arrangement for adjusting the salaries of civil servants and teachers in government aided schools appointed to entry ranks on or after 1 April 2000 and were still serving in entry ranks, as the staff concerned would have their salaries revised to a level equivalent to, or only one pay point higher than, the revised starting salaries for new appointees. These Panel members held the view that the proposed conversion arrangement failed to duly recognize the experience and years of service of the serving civil servants and teachers in government aided schools.

12. Panel members also noted that for new appointees of certain professional grades such as Government Counsel and Engineers, they might be awarded

⁴ Except for special cases such as assistant ranks (e.g. assistant engineer), the maximum pay point of which will be adjusted upwards in step with the relevant entry rank (e.g. engineer). Under such circumstances, the award of one additional pay point will be subject to the new, higher maximum pay point of the relevant rank.

additional pay points according to the duration of post-qualification experience they possessed when joining the civil service. As a result, these new appointees might receive a higher salary than those serving civil servants in the same professional grade appointed on or after 1 April 2000 with the same level of experience. Members were worried that the disparity in salaries so created between new appointees and serving civil servants would seriously undermine staff morale.

13. The Administration explained that in 2000 when starting salaries were adjusted downwards, the Government adopted the position that it would not reduce the salaries of serving staff to take account of the reduction in starting salaries. When serving staff were protected from a downward revision of starting salaries, the Administration considered it necessary to ensure an appropriate balance was incorporated into the conversion arrangement for affected serving staff when starting salaries were revised upwards. Otherwise, there would be a public conception that civil servants attempted to maximize benefits in the case of a SSS resulting in upward adjustment of starting salaries but refused to bear any pay cut in the opposite scenario. The Administration also pointed out that the normal conversion arrangement had been recommended by the Standing Commission since its inception in 1979. The Standing Commission considered that a point-to-point conversion should not be adopted as it was an "over-generous" arrangement.

14. After deliberation, the Panel passed a motion proposing that the new benchmarks for the 12 QGs should be further improved, and urging the Government to review the conversion arrangements for the civil servants and teachers of aided schools employed on or after 1 April 2000 afresh on the basis of the principle that full regard should be given to the length of service and experience of the existing civil servants and serving teachers.

15. In its written response to the motion, the Administration re-iterated its view that it was appropriate to adopt the "normal conversion" arrangement for affected serving civil servants. Given that a SSS would in future be conducted every three years, the Administration concurred with the Standing Commission that ensuring even-handedness in treatment for both upward and downward revision in starting salaries was necessary.

16. With the approval of FC on 6 July 2007, the new starting salaries based on the findings of the 2006 SSS took effect on 1 August 2007.

The 2009 Starting Salaries Survey

17. The 2009 SSS was conducted by the Standing Commission. The findings of the survey indicated that the benchmark for QG9 (degree and related grades) was significantly above the entry pay for jobs in the private sector requiring similar educational qualification for appointment. The Standing Commission henceforth recommended that the benchmark for QG9 should be reduced by two pay points, and correspondingly, the starting salaries of 37 civilian grades (i.e. 26 grades in QG9, five in QG11 and six in QG12⁵) requiring degree qualification for appointment should be reduced by two pay points. The Standing Commission also recommended that the benchmarks for QGs1 to 8 and QG10 should remain unchanged.

18. On 15 March 2010, the Administration briefed the Panel on the findings and recommendations of the 2009 SSS. Some members considered that the recommended reduction in the starting salaries of the basic ranks of degree grades would deter quality degree holders from aspiring to join the civil service. They pointed out that, if the starting salaries for QG9 were so adjusted, the difference in the starting salaries for QG9 and Group I of QG3 (higher diploma grades) would only be \$950. Such difference was unreasonable and would give the public the impression that university education had depreciated in value and was not worth the time or costs incurred. They also expressed grave concern about the impact of the proposed downward starting pay adjustment on the pay level of the private sector.

19. The Administration advised that the revised starting salaries would still be higher than the P75⁶ level of market pay for new recruits with the same education qualification, and the maximum salaries would remain unchanged. In addition, unlike higher diploma grades most of which stopped short at below the directorate level, the structure of most degree grades extended to the directorate ranks and therefore staff members in these grades enjoyed better career prospects.

20. The Administration's recommendations on the revised benchmark salary and starting salaries for civilian grades in QG9 as well as the revised starting salaries of the degree-qualification civilian grades in QG11 and QG12 were

⁵ There are no benchmarks for QG11 (education grades) due to the absence of adequate comparators in the market for useful comparison and QG12 (other grades) due to the disparate entry requirement specifications of these grades. The starting salaries for the basic ranks of the grades in these two QGs are set by internal relativities with the benchmarks for other pre-determined QGs.

⁶ The third quartile level of the total cash compensation of private sector pay.

endorsed by ESC on 17 June 2010 and approved by the FC on 2 July 2010. The revised starting salaries took effect on 1 October 2010.

The 2012 Starting Salaries Survey

21. On 21 January 2013, the Administration briefed the Panel on the approach and findings of the 2012 SSS conducted by the Standing Commission. The findings of the 2012 SSS show that existing benchmarks of most QGs with sufficient data for analysis closely reflect the market P75 pay levels. The two exceptions are QG9 and QG10, with the market P75 pay levels lower than the civil service benchmark by 8.8% (or \$1,973 per month) and 5.7% (or \$580 per month) respectively. Having considered the need to maintain a stable and permanent civil service and the inherent differences between the civil service and private sector, the Standing Commission has recommended that the status quo be maintained for the benchmark pay for all QGs, including QGs 9 and 10.

22. For QG 9, the Standing Commission has noted, in particular, the differences in the salary structure of degree jobs in the civil service and the private sector (viz. degree jobs in the private sector generally enjoy a larger jump after a few years) and the importance to maintain the competitiveness of jobs in the QG which form the backbone of the civil service, etc. As for QG 10, the Standing Commission has noted a relatively high increase in the market average, median and lower percentiles of the market pay levels for the QG since the 2009 SSS, and that the market pay level for these jobs may be further pushed up. The Standing Commission has also taken into account the need to continue to look at the remuneration of the most junior staff in the civil service sympathetically.

23. Noting that the market P75 pay level for QG9 was \$20,432 per month, a member enquired about the methodology for getting this figure. The Administration advised that a total of 136 private sector organizations which satisfied the selection criteria had provided valid data for the survey. The criteria included the organizations' steadiness, reputation, number of employees, number of jobs that were reasonable counterparts to the QGs covered in the survey, etc. The figure of \$20,432 included other cash payments (e.g. variable bonus, etc.) in addition to the basic salary.

Recent development

24. According to the relevant Legislative Council Brief issued by the Administration on 19 March 2013, the Chief Executive ("CE")-in-Council has taken a decision on the application of the findings of the 2012 SSS to the civil service. In gist, the CE-in-Council has decided that the status quo be maintained for the starting salaries of all civil service grades. The Administration will brief the Panel on the CE-in-Council's decision at the Panel meeting on 15 April 2013.

Relevant papers

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

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11 April 2013

Existing Civil Service Qualification Groups (QGs)

QG	Grades and Qualification Requirements	Benchmark Pay	Monthly Salary \$ (1 April 2012)
1	Grades not requiring five passes in HKCEE	MPS 1	10,160
2	School Certificate Grades Group I: Grades requiring five passes in HKCEE Group II: Grades requiring five passes in HKCEE plus considerable experience	MPS 3	11,520
3	Higher Diploma and Diploma Grades Group I: Higher Diploma Grades	MPS 13	21,330
	Group II: Diploma Grades	MPS 8	15,805
4	Technical Inspectorate and Related Grades: Higher Certificate plus experience	MPS 13	21,330
5	Technician, Supervisory and Related Grades Group I: Certificate or apprenticeship plus experience	MPS 6	13,910
6	Technician, Supervisory and Related Grades Group II: Craft and skill plus experience, or apprenticeship plus experience	MPS 5	13,085
7	Grades requiring two passes at Advanced Level in HKALE plus three credits in HKCEE	MPS 8	15,805
8	Professional and Related Grades Group I: Membership of a professional institution or equivalent Group II: Grades with pay structure related to grades in Group I	MPS 27	41,495
9	Degree and Related Grades	MPS 14	22,405
10	Model Scale 1 Grades	MOD 0	10,155
11	Education Grades	Note 1	-
12	Other Grades	Note 2	-

Note 1 No benchmark is set for QG 11. The starting salaries for their basic ranks are determined having regard to established relativities with QG 9 (for Graduate Grades) and QG 3 Group I (for Non-graduate Grades).

Note 2 No benchmark is set for QG 12. The starting salary for each basic rank is determined by reference to (a) the established relativities with relevant grades in other QGs; or (b) where such relativities are not readily identifiable, the relevant educational requirement for the grades.

Appendix II

Starting Salaries Survey

List of relevant papers

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Panel on Public Service 22.7.1999	Legislative Council Brief issued by Civil Service Bureau on 20 July 1999 Minutes of meeting	File Ref: CSBCR/PG/4-085- 001/2/99 CB(1)350/98-99
Panel on Public Service 15.11.1999	Administration's paper on "Starting Salaries Review" Administration's paper on "Starting Salaries Review Implications for the Disciplined Services" Summary of submissions on the Civil Service Starting Salaries Review 1999 prepared by the Secretariat List of submissions Minutes of meeting	CB(1)317/99-00(02) CB(1)62/99-00 CB(1)288/99-00 CB(1)289/99-00 CB(1)1002/99-00
Establishment Subcommittee 12.1.2000	Paper Minutes of meeting	EC(1999-2000)28 ESC31/99-00

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Panel on Public Service 17.1.2000	<p>Legislative Council Brief issued on 15 December 1999</p> <p>A letter dated 25 January 2000 from the Secretary for the Civil Service on the impacts of the new civil service starting salaries on the staff employed by contractors/consultants under the Architectural Services Department</p> <p>Minutes of meeting</p>	<p>CB(1)616/99-00</p> <p>CB(1)894/99-00(01)</p> <p>CB(1)1004/99-00</p>
Establishment Subcommittee 26.1.2000	<p>Paper</p> <p>Minutes of meeting</p>	<p>EC(1999-2000)37</p> <p>ESC33/99-00</p>
Finance Committee 18.2.2000	<p>Paper</p> <p>Minutes of meeting</p>	<p>FCR(1999-2000)63</p> <p>FC73/99-00</p>
Panel on Public Service 21.5.2007	<p>Relevant Legislative Council Brief</p> <p>Administration's Response to the Motion on the Application of the Findings of the 2006 Starting Salaries Survey</p> <p>Minutes of meeting</p> <p>Relevant Establishment Subcommittee paper</p>	<p>File Ref: CSBCR/PG/4-085-001/46-2</p> <p>CB(1)1870/06-07(01)</p> <p>CB(1)1916/06-07</p> <p>EC(2007-08)7</p>
Establishment Subcommittee 13.6.2007	<p>Paper</p> <p>Minutes of meeting</p>	<p>EC(2007-08)7</p> <p>ESC36/06-07</p>

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Finance Committee 6.7.2007	Paper Minutes of meeting	FCR(2007-08)26 FC127/06-07
Panel on Public Service 15.3.2010	Administration's paper on 2009 Starting Salaries Survey: findings and recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service Paper on starting salaries survey for the civil service prepared by the Legislative Council Secretariat (Background brief) Minutes of meeting	CB(1)1331/09-10(04) CB(1)1332/09-10 CB(1)1913/09-10
Panel on Public Service 24.5.2010	Administration's paper on 2009 Starting Salaries Survey: Application to the Civil Service (Legislative Council Brief) Paper on starting salaries survey for the civil service prepared by the Legislative Council Secretariat (Background brief) Minutes of meeting	File Ref.: CSBCR/PG/4-085-001/63 CB(1)1332/09-10 CB(1)103/10-11
Establishment Subcommittee 17.6.2010	Paper Minutes of meeting	EC(2010-11)9 ESC41/09-10
Finance Committee 2.7.2010	Paper Minutes of meeting	FCR(2010-11)27 FC166/09-10

Meeting/ Date of meeting	Minutes / Paper	LC Paper No.
Panel on Public Service 20.2.2012	Administration's paper on "Starting Salaries Survey and Pay Level Survey" Updated background brief on starting salaries survey and pay level survey for civil service Minutes of meeting	CB(1)1028/11-12(03) CB(1)1028/11-12(04) CB(1)2452/11-12
Panel on Public Service 21.1.2013	Administration's paper on "2012 Starting Salaries Survey: Findings and Recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service" Updated background brief on the Starting Salaries Surveys for the civil service Minutes of meeting	CB(4)303/12-13(04) CB(4)303/12-13(05) CB(4)474/12-13
19.3.2013 (issue date)	Legislative Council Brief on "2012 Starting Salaries Survey: Application to the Civil Service"	File Ref: CSBCR/PG/4-085-001/71

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