

政府總部
公務員事務局
香港添馬添美道2號
政府總部西翼



CIVIL SERVICE BUREAU
GOVERNMENT SECRETARIAT
WEST WING
CENTRAL GOVERNMENT OFFICES
2 TIM MEI AVENUE, TAMAR
HONG KONG

本函檔號 Our Ref.: CSBCR/PG/4-085-001/72

來函檔號 Your Ref.:

電話號碼 Tel. No.: 2810 3112

傳真號碼 Fax No.: 2147 3292

電郵地址 E-mail Address: csbts@csb.gov.hk

網址 Homepage Address: <http://www.csb.gov.hk>

8 July 2013

Ms Anita SIT
Clerk to the Panel on Public Service
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Sit,

**Legislative Council Panel on Public Service (the Panel)
Follow-up to meeting on 17 June 2013**

Thank you for your letter of 24 June 2013, enclosing the list of follow-up actions after the Panel Meeting on 17 June 2013. We would like to provide information for item 3 of the list (i.e. the numbers of civil servants who have reached and those who will reach the maximum pay points of their ranks in the next five years).

In accordance with the existing mechanism, the “payroll cost of increments” is deducted from the gross pay trend indicators (PTIs) derived from the annual pay trend survey (PTS) to arrive at the net PTIs. The net PTIs are one of the factors taken into account in considering the annual civil service pay adjustment. At the Panel meeting held on 17 June 2013, a Member expressed concern that civil servants who are already at their maximum pay points are affected by the deduction of “payroll cost of increments” though they are not eligible for the annual increment. The Member would like to know the number of civil servants who have reached their maximum pay points and the projected figures for the next five years.

The deduction of “payroll cost of increments” was recommended by a committee of inquiry set up in 1988, and has been implemented since the 1989-90 civil service pay adjustment. The 1988 Committee of Inquiry recommended that the annual PTS should include the private sector merit pay and increments; it therefore considered that for fairness, the civil service “payroll cost of increments” should be deducted from the gross PTI to arrive at the net PTI. In accordance with the recommendations of the Committee of Inquiry, the “payroll cost of increments” should be calculated by dividing the increment payments made to civil servants who have not yet reached their maximum pay points by the **total** civil service salary expenditure of the year.

In 2002, the “Task Force on Review of Civil Service Pay Policy and System” (the Task Force) reviewed the arrangement of deducting “payroll cost of increments”. Its conclusion was that civil servants who had reached their maximum pay points had actually benefited from the arrangement (i.e. the arrangement under which the “payroll cost of increments” is borne by all civil servants) before reaching the maximum pay points. The Task Force recommended that the said arrangement be retained.

As at 1 April 2013, the percentages of civil servants who have reached the maximum pay points of their ranks (overall position and by salary band) are as follows –

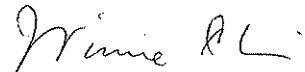
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|---------------------------------------|--------------|
| - Upper salary band – | around 60.5% |
| - Middle salary band – | around 64.6% |
| - Lower salary band – | around 46.4% |
| - Overall of the three salary bands – | around 61.3% |

It should be noted that, under the existing method of calculating the “payroll cost of increments”, when the number of civil servants who have reached the maximum pay points increases, the amount of “payroll cost of increments” to be deducted will decrease correspondingly.

The projection of staff on maximum pay point for the next five years involves many sets of statistical figures and making of numerous assumptions on future trend. Hence, we are unable to provide the relevant information.

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

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Winnie Chui".

(Winnie Chui)
for Secretary for the Civil Service