

**For information
on 11 May 2015**

Legislative Council Panel on Welfare Services

**Salary Adjustment Arrangement for Staff in Non-governmental
Organisations receiving Lump Sum Grant Subvention**

Purpose

This paper informs Members of the salary adjustment arrangement for staff in non-governmental organisations (NGOs) receiving Lump Sum Grant (LSG) subvention.

Implications of 2014-15 Civil Service Pay Adjustment on the Subvented Welfare Sector

2. In line with the mechanism stipulated in the LSG Manual, the subvention of 165 subvented NGOs has been adjusted in accordance with the 2014-15 Civil Service Pay Adjustment (CSPA). Accordingly, supplementary subvention totalling \$465.7 million based on increases of 5.96% for staff in the directorate and upper salary band, and 4.71% for staff in the middle and lower salary bands from 1 April 2014 was allocated to the NGOs concerned in 2014-15.

Principles of Handling Salary Adjustment

3. NGOs receiving LSG subvention have flexibility in determining their own staffing structures and remuneration levels including salaries, allowances and personnel related expenses (e.g. fringe benefits) to best suit their unique financial management and human resource management (HRM) needs. In its Review Report on the LSG Subvention System (LSGSS) published in 2008, the LSG Independent Review Committee (LSGIRC) concluded that the principles of flexibility, autonomy and accountability under LSGSS were sound. It also recognised that NGOs should have flexibility in utilising the additional funding for pay adjustments in accordance with their own HRM policies. Besides, as a good management practice for NGOs, the additional funding provided in line with CSPA should be spent solely on staff in subvented services.

4. As provided for in the Item for Finance Committee on 2014-15 CSPA (Paper No. FCR(2014-15)47) considered by the Finance Committee on 16 January 2015, the Government, as a general rule, “is not involved in the determination of pay or pay adjustment of staff working in subvented bodies (e.g. social welfare NGOs). These are matters between the concerned bodies as employers and their employees. Therefore, the Government will not directly impose any pay adjustment applicable to the civil service to employees in the subvented sector. It would be up to individual NGOs, as employers, to decide whether to increase the salaries of their own employees and, if so, the rate of increase.” However, the Social Welfare Department (SWD) will remind the NGOs concerned that the additional subventions from the Government are meant for pay adjustment for their staff.

5. In accordance with the principles set out in paragraphs 3 and 4 above, SWD issued a letter to NGOs on 20 January 2015, explaining the arrangements on the salary adjustment arising from the 2014-15 CSPA and principles of adjustments to the Personal Emolument portion with reference to CSPA. While NGOs have their own flexibility in their salary adjustment policies, SWD has reminded them that they are required to inform all staff members subvented by LSG of the salary adjustment arrangement for the financial year and state the reasons for the decision. As the additional allocations are backdated to 1 April 2014, SWD expects that NGOs should also adjust the salaries of their staff with retrospective effect from that date.

Features of Salary Adjustment by NGOs

6. Generally, the salary adjustment policies of NGOs have the following features –

- (a) the salary adjustment policies are set out in the terms and conditions of the employment agreements or contracts of staff members;
- (b) the salary adjustment policies of the NGOs have been endorsed by their governing bodies in accordance with the respective NGOs’ internal guidelines and staff manuals, which are made known to staff when they are employed;
- (c) staff of the NGOs will be duly consulted or informed of the salary adjustment policies before they are implemented; and

- (d) the salary adjustment policies are in line with the prevailing HRM policies and procedures of the respective NGOs.

7. Along with the above-mentioned features, NGOs expressed that they had a basket of factors to consider in deciding their salary adjustment policies such as a consistent HRM policy for the whole organisation which may cover the welfare, education, health and/or other public service sector; the spirit of employment contract; agreement with staff; existing staffing structures and provisions; alignment of the remuneration systems of subvented and non-subvented staff for staff management purposes; incentive to good performance; and fringe benefits for staff, etc..

8. SWD has been communicating with NGOs on their salary adjustment policies and practices. Based on the information collected from NGOs, SWD has gathered that subvented NGOs adopted the following arrangements for salary adjustment in 2014-15 –

- (a) for staff serving in the organisation, NGOs either adjusted the staff salary by the same percentage of the CSPA or spent the full amount of the additional allocations on salary adjustment for staff;
- (b) NGOs in general provided backpay on salary adjustment to their staff serving in the organisation;
- (c) some of the NGOs provided backpay on salary adjustment also for ex-staff who had departed the organisations before the payment date of salary adjustment, whilst some did not do so; and
- (d) NGOs have informed subvented staff members of the salary adjustment arrangement for the financial year and stated the reasons for decision.

Advice Sought

9. Members are invited to note the arrangements set out in paragraphs 2 to 8 above.

**Social Welfare Department
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