

立法會
Legislative Council

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**Establishment Subcommittee of the Finance Committee
of the Legislative Council**

**Minutes of the 8th meeting
held at the Legislative Council Chamber
on Wednesday, 26 January 2000, at 9:00 am**

Members present:

Dr Hon Philip WONG Yu-hong (Chairman)
Hon NG Leung-sing (Deputy Chairman)
Hon Michael HO Mun-ka
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Margaret NG
Hon MA Fung-kwok
Hon CHEUNG Man-kwong
Hon CHAN Kwok-keung
Hon Bernard CHAN
Hon CHAN Wing-chan
Dr Hon LEONG Che-hung, JP
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Hon YEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon SZETO Wah

Members attending:

Hon LEE Cheuk-yan
Hon LAW Chi-kwong

Members absent:

Dr Hon David LI Kwok-po, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon Andrew WONG Wang-fat, JP

Public officers attending:

Mrs Carrie LAM, JP	Deputy Secretary for the Treasury
Mr D W PESCOD, JP	Deputy Secretary for the Civil Service
Mr K K LAM	Principal Executive Officer (General), Finance Bureau
Mr W K LAM, JP	Secretary for the Civil Service

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Ms Sarah YUEN	Senior Assistant Secretary (1)4
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EC(1999-2000)37

Proposed revision of the civil service starting salaries for the civilian and disciplined grades which will apply to recruits appointed on or after 1 April 2000 and serving staff on in-service transfer with effect from the same date

The Chairman advised members that the proposal was a re-submission and reminded members not to repeat the points which had already been made at the previous meeting.

2. Members questioned the rationale for not conducting an overall review of civil service salaries. Miss Emily LAU pointed out that the Government had all along stated that civil service salaries ought to be broadly comparable with those in the private sector. She enquired if the Government had also conducted reviews of the salaries above the entry level so that the salaries in the civil service were comparable with those in the private sector as pledged. She also questioned the reason for singling out entry ranks for the recent salary review.

3. In response, the Secretary for the Civil Service (SCS) explained that the last overall review was completed in 1989 after a three-year negotiation with the Staff Side. He admitted that no comprehensive review of that scale had since

then been conducted, but as he had undertaken in the paper, the Administration would present a paper to the LegCo Panel on Public Service on the subject.

4. SCS stressed that the Government was aware of the discrepancy in pay between the public and private sectors. The current proposal was only focused on entry ranks as it was the scope of the task given to the Standing Commission on Civil Service Salaries and Conditions of Service to undertake a review of those ranks which Government was in direct competition with the private sector for suitable candidates. The starting salaries of entry ranks were primarily guided by the requisite academic attainment, and the review had found a 6% to 30% difference in pay between the public and private sector for the same level of candidates. To avert unfair competition with the private sector and to save taxpayers' money, it was only appropriate that the civil service starting salaries should be adjusted accordingly. SCS stressed that as several thousands were recruited to the civil service each year, it was at least one step towards the target of achieving comparability. SCS added that the annual Pay Trend Survey conducted among companies in the private sector for determining civil service pay adjustment was another mechanism to make civil service pay more comparable with that in the private sector.

5. In response to Miss Emily LAU's further query on not extending the review to ranks at senior level, SCS stressed that the proposed reductions would affect the entry ranks of all grades ranging from the clerical to administrative and professional grades alike. In fact, as the Review had indicated a greater reduction in the starting salaries of university graduates, the proposed reduction in the starting salary of the Executive Officer and some professional grades requiring a degree, at more than 20%, was much greater than that of a Workman II at about 10%. The adjustment in starting salaries was therefore not only targeted at those in the lower pay bands.

6. Miss Emily LAU considered the proposed reductions too mild to reflect the market rates. In reply, SCS explained that the Standing Commission had deliberately recommended to peg starting pay to the upper quartile market rates in consideration that to compete for suitable candidates, the Government should, as a competitive employer, offer salaries more favourable than the average market rates. This was particularly necessary in the case of civil service pay, as it was subject to a mechanism which only reflected changes in the private sector pay rather than responding promptly to market situation.

7. In response to questions from Mr NG Leung-sing and Mr Howard YOUNG on the Administration's plan to conduct a comprehensive civil service review, SCS confirmed that it had always been Government's practice to review the salary scales of individual grades according to needs. An overall comprehensive review was far more complex and time-consuming, and therefore had not been conducted since 1989. However, the Administration agreed with the Standing Commission that benchmark reviews should be

conducted more frequently, probably once every three to four years with an annual updating in the interim to ascertain the continuing broad comparability of civil service entry salaries with private sector pay.

8. Miss Emily LAU asked if the review of the pay of serving civil servants would be subject to obstacles such as Article 100 of the Basic Law which provided that public servants should retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before. In reply, SCS confirmed that in determining whether to proceed with a comprehensive review, there was a need to take into consideration all political, legal and social factors. Notwithstanding the above considerations, the Administration would be pleased to discuss further with members on the subject, and a paper which set out the above considerations would be presented to the Public Service Panel not later than March 2000 for detailed examination.

Admin

9. On behalf of the Hong Kong Confederation of Trade Unions, Mr LEE Cheuk-yan stated his objection to the proposal in view of the negative impact of the proposal on wage levels in the private sector. He saw it as a move to bring down wages in the private sector. SCS refuted Mr LEE's claim and stressed that new recruits to the civil service only accounted for a very small percentage of the labour market. To keep civil service salaries competitive, the Standing Commission had only recommended a mild reduction so that the new salaries were still at the higher end of salaries in the private sector. SCS quoted the example of a university graduate who currently received a starting salary of \$10,000 to \$12,000 in the private sector. The proposed reduction for the starting salary of a university graduate was from the present \$21,010 to \$16,095. The new rate was still higher than the average in the private sector. SCS further pointed out that the public in general was also in support of lowering civil service salaries to keep them in line with the private sector.

10. Regarding the annual updating of benchmark reviews, Mr LEE Cheuk-yan enquired how such updating was to be conducted and whether these annual exercises would lead to salary adjustments. In reply, SCS explained that these interim updating exercises only served to provide a trigger for the formal review at three or four year intervals so as to more effectively respond to market changes. Although the Administration had yet to finalise the details of the adjustment mechanism, it was envisaged that adjustments would most probably be made only following the formal benchmark review. Full consultation would be carried out before finalisation of any proposed salary adjustments.

11. Mr MA Fung-kwok was concerned about the disparity in treatment between serving and new civil servants at the same rank should the present proposal be endorsed. In reply, SCS advised that since only the starting salaries at entry ranks would be adjusted and the maximum points of various ranks would be maintained, the difference in salaries would only exist in the short term as the new recruits could make up the difference either through promotion or by

reaching the maximum pay point of their ranks.

12. Messrs CHEUNG Man-kwong and SZETO Wah opined that staff of subvented organisations such as teachers in aided schools should have been consulted on the proposal because they were remunerated according to the civil service pay scale and hence would likewise be affected by the proposal. They considered it unfair that the Civil Service Bureau (CSB) had not contacted these staff direct but had only advised the subvented organisations of the impact of revised starting salaries on them through the relevant Policy Bureaux and Departments who were Controlling Officers of the respective subventions. Employees of subvented organisations therefore had not had the opportunity to comment on the proposal. In view of the large number of such employees, Messrs CHEUNG and SZETO strongly requested the early establishment of a formal mechanism for consultation with employees of subvented organisations to ensure that they would be properly consulted when proposals that might affect them were put forward in future.

13. In reply, SCS emphasised that despite the absence of a direct dialogue with subvented organisations, the Administration had put the proposal to the public for comments. Views were also solicited through the relevant Policy Bureaux and Departments. As a result, the Administration had taken note of the views expressed by a number of subvented organisations. He noted that some of these bodies might have written to the Government out of their initiative. He undertook to examine with the Secretary for the Treasury on the arrangements to solicit views from the staff of subvented bodies.

14. In response to a Member's query on what further discussions were going to take place between Government and the subvented organisations as the Administration had already made up its mind on lowering the entry pay, the Deputy Secretary for the Treasury (DS(Tsy)) drew members' attention to the fact that there were several types of funding arrangements for subvented organisations, and the impact of revised civil service entry salary on the funding of subvented organisations would vary from case to case. She pointed out that there were three main types of subvented organisations, namely:

- (a) those subvented on recognised staffing level pegged to civil service pay scales with the Government being the virtual "pay master" such as aided schools and subvented welfare agencies;
- (b) those which received a lump sum or a notional subvention that had little bearing on staffing levels and remuneration; and
- (c) those whose funding arrangement took the form of outputs such as student unit cost in the case of University Grants Committee-funded institutions or bed unit cost in the case of the Hospital Authority (HA) but the cost comparability principle still applied.

For those funded in accordance with (c) above, there would be a need for detailed discussion on how entry pay savings effected by the proposal should be reflected in the level of funding. In fact, such discussions had already begun in the case of HA, which was also taking the opportunity to introduce changes to its salary structure over which they had a free hand, and to switch its funding formula to one based on the population served.

15. While she acknowledged there was direct impact on staff of those organisations for which the Government played the "pay master" role, DS(Tsy) stressed that there was no direct employer-employee relationship between the Government and these staff. She however assured members that in consideration of the 140,000 strong staff of the subvented organisations, the Administration was most ready to improve its consultation mechanism to effect interactive communication with them.

16. Referring to the submissions from the Hong Kong Professional Teachers' Union (HKPTU), SCS stressed that the Administration had in fact carefully considered the unique job nature and interests of the sector concerned. For example, given the Government policy to actively encourage the movement of teachers between schools, the Administration had taken the initiative to ensure that teachers on transfer between schools in the aided sector and the government sector would be subject to the same salary on transfer arrangements as civil servants, i.e., they would be able to carry their current salary on transfer and would not be worse off in terms of pay.

17. Mr SZETO Wah enquired about efforts to ensure that the staff of subvented organisations had been properly informed of the impact of revised starting salaries on them. In response, DS(Tsy) reported that Finance Bureau had as early as the initial stage of the Review analysed the impact of revised starting salaries on different types of subvented organisations and advised the relevant Controlling Officers of that, trusting that they would pass the message to the subvented organisations under them for further relay to their staff. Moreover, in giving advice to the Controlling Officers, the Administration had provided assurance that sufficient funding would be provided to the subvented agencies to meet obligations to their serving staff who, like their civil service counterparts, would not be affected by the Review. As understood from the feedback, some of the Controlling Officers did advise their subvented organisations. However, as it was Government policy to respect the employer-employee relationship of the respective subvented organisations, the Administration had not considered it appropriate to specify how individual subvented organisations should consult their respective staff on the Review and its impact.

18. Mr Michael HO declared an interest as a Board Member of HA and pointed out that while HA had a free hand in determining its own pay structure, with the reduction in funding, it might have to adjust the salaries of its staff downwards to make ends meet. In reply, DS(Tsy) acknowledged that there was

an obligation on the part of the subvented organisations to ensure that remuneration in the subvented sector was no better than their comparable ranks in the civil service. As HA's funding had been calculated on the basis of staff costs similar to those of the Government, its funding would have to be duly adjusted following the adjustments of civil service salaries.

19. Regarding the number of subvented staff who would be affected by the proposal, SCS explained the difficulty in providing the required figure. As some of the subvented organisations were not funded according to the number of staff, he could only refer to the cumulative financial benefits of about \$150 million each year in the subvented sector as stated in the paper.

20. Giving an account of the general outcome of the consultation exercise, SCS reported that the civil service trade unions had mainly expressed concerns about grade-specific issues and had not raised strong objection to the proposal because it only affected new recruits. The Administration had however accepted some of their proposals. For example, the Administration originally proposed to standardise incremental dates to 1 April each year but because of their objection the proposal had not been taken forward. As for the public, SCS said that as gathered from media reports and opinion survey results, the public supported the proposal as a necessary step to bring civil service salaries in line with those in the private sector.

21. Miss Emily LAU referred to para 19 of the paper, which said that given the independence of the Judiciary, the entry pay for all grades of Judges and Judicial Officers would remain unaffected by the proposal as recommended by the Standing Committee on Judicial Salaries and Conditions of Service (SCJS). She asked if the Administration had accepted the independent status of the Judiciary and decided that the recommendations of the Standing Commission should not arbitrarily apply to them as in the case of the pay adjustment freeze at Directorate Pay Scale Point 3 (D3) level and above in July 1998. In response, SCS explained that the pay freeze had been applied to the Judiciary because it was intended to apply to all related sectors whose salary adjustments followed those in the civil service. The Judiciary would not be affected this time mainly because they seldom recruited staff at the entry level. He also pointed out that notwithstanding the Judiciary's independence, in practice their salary adjustments had always followed those in the civil service.

22. In this connection, Miss Margaret NG sought confirmation that the Judiciary was not obliged to follow recommendations of the Standing Commission on civil service salary adjustments but that they were passed to the SCJS for reference only. As such, the above pay freeze, being a political move to demonstrate that senior officers were prepared to share the hardship caused by the economic turmoil, should not automatically extend to the Judiciary but that the Administration had failed to consult them. In response, SCS confirmed the independent status of the Judiciary's salary structure. He further admitted that

the Administration had not consulted the Judiciary on the pay freeze proposal and undertook to ensure that similar proposals would not be automatically extended to them in future without consultation.

Admin

23. Ir Dr Raymond HO highlighted the concerns of the engineering grade on post-training employment, housing benefits and engagement of professionals to fill vacancies of Administrative Officers. In response, SCS advised that such matters were not directly related to the present proposal. He however undertook to follow up Ir HO's concerns.

Admin

24. Pointing out that both dentists and doctors had to receive five years' training, Dr LEONG Che-hung questioned why the Review had not attempted to rectify the existing unfair arrangement of setting the starting salaries of dentists lower than those of doctors. In reply, SCS pointed out that the current difference in the starting salaries of the two professions was the outcome of the last comprehensive salary review conducted in 1989. He further explained that since the current review was confined to the civil service qualification benchmarks, it was not possible for the Standing Commission to conduct a thorough review of the job factors of each and every grade. The starting salaries of dentists might be considered in a separate exercise in future. He would follow up with the relevant Bureau on Dr LEONG's request to review the starting salaries of dentists in the context of pay review for individual grades.

Admin

25. In response to Miss Margaret NG's query of awarding a starting salary of \$11,115 for Domestic Servant, which according to her was apparently higher than the market rate, SCS explained that the Standing Commission did not compare the starting salaries by job type but by qualification group. The proposed starting salary for the Domestic Servant thus only reflected the reduction of salaries in its respective qualification benchmark group. Since the Domestic Servant grade in the civil service required an academic qualification higher than that in the private sector, its pay was also higher. At Miss NG's request, SCS undertook to provide after the meeting details on how the former compared with the latter as regards entry qualifications, duties, etc. He further stressed that there were few such posts and the post-holders were civil servants employed to attend to matters relating to the maintenance of official quarters provided to very senior Government officials or for those stationed overseas.

26. On behalf of Members of the Democratic Party, Mr CHEUNG Man-kwong stated they could not support the proposal for the following reasons -

- (a) The Administration had failed to consider in greater depth some of the crucial points raised by the civil service unions and the subvented sector. As a result, the proposal might result in a split in the civil service as well as in the subvented sector and give rise to numerous problems. In particular, there was inherent unfairness in the new starting salaries as it was creating a situation whereby

remuneration was not granted according to qualifications, resulting in a disparity in salaries for persons with the same qualifications and performing the same job.

- (b) The proposal would pioneer a downward trend for salaries in the private sector and adversely affect the working class, especially when the review was conducted at a time when Hong Kong's economy was at its worst. The Administration was also cautioned for extending the salary adjustments to serving officers as this might contravene the Basic Law.
- (c) There should be a mechanism to ensure that the subvented sector would be properly consulted when proposals affecting them were put forward in future. The exclusion of the 70 000-odd members of the HKPTU from the consultation exercise was unfair and would give them the impression that they were inferior to their counterparts in the civil service.

27. Mr CHAN Wing-chan stated that he would vote against the proposal on behalf of The Hong Kong Federation of Trade Unions

28. The item was put to vote. Eleven members voted for the item and five voted against.

For:

Dr Raymond HO Chung-tai
Mr NG Leung-sing
Miss Margaret NG
Mr MA Fung-kwok
Mr Bernard CHAN
Dr LEONG Che-hung
Mr Jasper TSANG Yok-sing
Mr Howard YOUNG
Mr YEUNG Yiu-chung
Miss Emily LAU Wai-hing
Miss CHOY So-yuk
(11 members)

Against:

Mr Michael HO Mun-ka
Mr CHEUNG Man-kwong
Mr CHAN Kwok-keung
Mr CHAN Wing-chan
Mr SZETO Wah
(5 members)

29. The item was endorsed by the Subcommittee.
30. The Subcommittee was adjourned at 10:10 a.m.

Legislative Council Secretariat
16 February 2000