

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

1999 CIVIL SERVICE STARTING SALARIES REVIEW

In response to concerns raised by Members at the Establishment Subcommittee of Finance Committee meeting on 12 January 2000, we hereby set out for Members' consideration supplementary information regarding the 1999 Civil Service Starting Salaries Review and re-submit for Members' approval paper EC(1999-2000)28 at **Enclosure 1**.

Encl. 1

2. At the meeting, Members expressed the following major concerns -
 - a) the proposal to reduce civil service starting salaries would lead the market and set an example for the private sector to follow;
 - b) the proposals are targeted at the junior staff only;
 - c) there has been insufficient consultation on the proposals;
 - d) the impact of the new starting salaries on serving staff on transfer is not clear; and
 - e) there should be an exercise to review salary levels beyond the entry level.

3. Additional information on the consultation undertaken by the Administration and the impact of the new starting salaries on serving staff on transfer are provided in paragraphs 4 to 14 below.

Impact on Private Sector Wage Level

4. Government, just like any other employer, has to compete for the manpower and expertise it needs, through offering appropriate salaries and other

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terms of employment. Civil service salaries must be regarded as fair both by civil servants and by the public which they serve and should be broadly comparable with those in the private sector. The results of the starting salaries survey show that the pay offered for recruits by employers in the private sector is generally lower than that offered by the civil service. Suitable downward adjustment to the civil service starting salaries is necessary to bring the civil service more in line with private sector entry pay and such adjustment follows what has already taken place in the market. As the adjustment will only be applied to starting pay for recruits, the impact on the wage market will be minimal and should not be over estimated.

Impact on Civil Service Grades

5. Almost all recruitment to the civil service is at the basic entry ranks. It is thus only at that level that the civil service is in direct competition with the private sector for suitable candidates. Hence, we consider it appropriate to focus the review on starting salaries for various entry ranks in the civil service.

6. The proposed adjustments will be applied to all grades at the entry level : from junior grades such as Workman II to the higher level grades such as doctors. The new starting salaries have been drawn up on the advice of the Standing Commission on Civil Service Salaries and Conditions of Service and are based on the findings of a survey they completed in June 1999 of the starting pay for jobs with equivalent academic qualifications in the private sector at the entry level.

7. For many of the grades under the Professional and Related Grades (Qualification Groups 11 and 12), there is an assistant rank (e.g. Assistant Architect) below the operational benchmark/entry rank (e.g. Architect). Similarly, there are a number of student/training ranks (e.g. Student Statistical Officer) in the Civil Service. Applying the new benchmarks will mean these assistant/student/training officers will, on promotion to the operational benchmark ranks, be offered the new lower starting salaries.

8. As these officers are for all intent and purposes equivalent to serving officers, we will exceptionally allow the 1 500 serving assistant/student/training officers to enter the pay scale of the operational rank at the existing minimum salary point of the rank (or a salary under the prevailing salary on promotion rules if higher) when they are eventually promoted. They will also be subject to the existing maximum point of the assistant rank pay scale. As regards recruits to the assistant/student/training ranks who join after implementation of the revised

/benchmarks

benchmarks and salary scales, they will be subject to the pay scales prevailing in the officer's year of promotion to the operational rank, and to the prevailing salary on promotion rules.

Consultation

9. We have conducted extensive consultation with staff and department/grade management. We had rounds of meetings with the Central Staff Consultative Councils and the three service-wide staff associations as well as all department/grade management to clarify issues and listen to their views on the proposals. The Departmental Consultative Committees of individual departments/grades also discussed the proposals and passed to us their comments. We received a total of 150 submissions on the proposals.

10. We also made available our proposals to the public through the Internet and Civil Service Bureau staff attended a number of public meetings and open forums to discuss the proposals. We received a number of submissions from individuals and organisations outside the civil service and we took into account the views expressed in the course of finalising our proposals.

11. In addition, we have taken the proposals to the Legislative Council (LegCo) Panel on Public Service four times, including the most recent meeting on 17 January 2000, where we have explained and clarified issues and listened to Members' views on the proposals.

12. As far as the subvented sector is concerned, it should be noted that appointments in subvented organisations are matters between the respective subvented bodies as employers and their employees. The relevance of the Review to the subvented sector is one of funding from the Government to the organisation (given the subvention policy that remuneration in the subvented sector should be no better than comparable ranks in the civil service), rather than staff/management relationship. Whilst Civil Service Bureau did not get in contact with staff of subvented organisations direct, Finance Bureau, through the relevant Policy Bureaux and Departments who are Controlling Officers of the respective subventions, has advised the subvented organisations of the impact of revised starting salaries on them. Further discussions will be undertaken upon approval of the revised starting salaries to determine the funding implications. In addition, we received submissions from various interested parties such as the Hong Kong Council of Social Service and the Hong Kong Professional Teachers' Union. We considered their views carefully and responded to the submissions before we finalised our proposals.

/Impact

Impact on Serving Staff

Encl. 2 13. Serving staff on in-service transfer will be subject to the new starting salaries. However, under the new salary on transfer rules, most officers on transfer to another grade, except those who transfer to a more junior grade, will get the higher of the minimum pay of the new rank or their existing pay, plus possibly one increment. The new rules are merely a rationalisation of existing practice. **Enclosure 2** contains some examples of how serving staff on in-service transfer will be affected.

Salary Review beyond Entry Level

14. As regards review of salary levels beyond entry level, we feel this is a separate issue, one which we will be pleased to discuss further with Members separately. We shall present a paper to the LegCo Panel on Public Service soon.

Civil Service Bureau
January 2000

For discussion
on 12 January 2000

EC(1999-2000)28

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

1999 CIVIL SERVICE STARTING SALARIES REVIEW

Members are invited to recommend to Finance Committee to approve with effect from 1 April 2000 -

- (a) the revised benchmarks and starting salaries of the civilian grades referred to in paragraphs 4 and 7;
- (b) the revised pay scale of the assistant ranks referred to in paragraphs 6 and 7;
- (c) modification of the Master Pay Scale, the Craft Apprentice Pay Scale and the Technician Apprentice Pay Scale referred to in paragraph 8;
- (d) modification of the Model Scale 1 Pay Scale referred to in paragraph 8;
- (e) the revised starting salaries of the disciplined grades referred to in paragraph 9;
- (f) modification of the pay structure for the Police Inspector rank referred to in paragraph 10;
- (g) modification of the pay structure for the Air Crewman rank and the Aircraft Technician rank referred to in paragraph 11;

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- (h) modification of the General Disciplined Services (Officer) Pay Scale, the General Disciplined Services (Rank and File) Pay Scale, the Police Pay Scale and the Independent Commission Against Corruption Pay Scale referred to in paragraph 12; and
- (i) delinking of the starting salaries for both the civilian and disciplined grades from the annual pay trend exercise.

PROBLEM

The results of the 1999 Civil Service Starting Salaries Review show that the pay offered for recruits by employers in the private sector are generally lower than those offered in the civil service. This is not consistent with our pay policy.

PROPOSAL

2. The Secretary for Civil Service proposes to revise the starting salaries for the civilian and disciplined grades on the basis of the recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) and the Standing Committee on Disciplined Services Salaries and Conditions of Service (Standing Committee) to bring civil service starting salary levels more in line with private sector entry pay. The new starting salaries will apply to civil service recruits appointed on or after 1 April 2000 and serving staff on in-service transfer from that date.

JUSTIFICATION

Pay Policy

3. Our 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

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efficient service. Such remuneration should be regarded as fair both by civil servants and by the public which they serve and should be broadly comparable with private sector practices.

Starting Salaries for the Civilian Grades

4. According to the pay comparison survey conducted by the Standing Commission, starting salaries in the civil service have outstripped those in the private sector. The revised benchmarks for the 13 civil service Qualification Groups¹ (QG) as recommended by the Standing Commission are set out in **Enclosure 1**.

Encl. 1

5. The starting salaries of some civil service civilian grades are pitched variously at one to six points above their respective benchmarks. The additional pay points were awarded in recognition of special job factors pertaining to some grades. Under this exercise, these factors are taken as given assumptions. The new starting salaries for individual grades, under the respective QGs, are set out in **Enclosure 2**.

Encl. 2

6. The Standing Commission's recommendations are confined to starting salaries except for the assistant ranks under QG 11/12 (Professional and Related Grades). The Standing Commission's recommendation to reduce the maximum pay point of these assistant ranks by the same magnitude of the reduction in entry pay is intended to preserve the pay relativity between the assistant and the benchmark ranks. Retaining the current maximum point for the assistant rank will not only upset the established pay relativity but also result in overlapping of pay scales between the two ranks. A lengthened pay scale for the assistant rank will also be against the grades' objective to encourage these officers to obtain the professional qualification required for promotion to the benchmark rank within a reasonable period of time. The revised pay scales of the assistant ranks are set out in **Enclosure 2**.

7. We *recommend* to accept the Standing Commission's recommendations on the new benchmarks, new starting salaries, and the new pay scales for the assistant ranks.

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¹ No benchmark are set for QG 3 (School Certificate Group II), QG 15 (Education Grades) and QG 16 (Other Grades). The starting salaries for grades under these QGs are set having regard to (a) internal relativity with other QGs or (b) education requirements of the grades.

8. The Standing Commission's recommendation will necessitate the creation of one pay point (MPS 0) at the bottom of the Master Pay Scale (MPS), the Craft Apprentice Pay Scale (CAPS) and the Technician Apprentice Pay Scale (TAPS). As for the Model Scale 1 Pay Scale (MOD Scale), the Standing Commission has recommended to re-number the entire scale with six new pay points added to the bottom of the existing MOD Scale. The revised MPS, CAPS, TAPS and MOD Scale are at **Enclosure 3**. We *recommend* to accept the revised pay scales.

Encl. 3

Starting Salaries for the Disciplined Grades

9. Having regard to the revised starting salaries for the civilian grades and the views of the disciplined services management and staff, the Standing Committee considered that some adjustment to the starting salaries of the disciplined services would be justified in order to maintain a broad comparability with the rest of the civil service. However, the pay advantage which the disciplined services now enjoy in recognition of "special factors" and "job factors" should not be reduced. The approach adopted by the Standing Committee to arrive at the starting salaries for individual grades is set out in **Enclosure 4**. The revised starting salaries of the disciplined services are set out in **Enclosure 5**.

Encl. 4

Encl. 5

10. The Standing Committee's recommendations on starting salaries will cause the pay relativity between Police Inspectors and the other disciplined services (namely Correctional Services Officers/Customs Inspectors/Fire Services Station Officers) to reverse over the first few years of service. To prevent this problem, the Standing Committee has identified a solution consisting of minor consequential amendments to the pay scale of the Police Inspectors (vide addition of two increments, one at the end of the first year and another at the end of the second year). We *recommend* to accept this solution. However, the solution should apply merely to recruits between now until the next adjustment arising from future Benchmark reviews. We will reconsider this arrangement in the light of the outcome of the next review.

11. Arising from the revised starting salaries for the disciplined services, there is the need to re-consider the pay progression for two ranks in the Government Flying Service. The entry point for the Air Crewman rank for HKCEE entrants and the Aircraft Technician rank will be reduced from General Disciplined Services (Rank and File) Pay Scale (GDS(R)) 9 to GDS(R)4 and from GDS(R)5 to GDS(R)3 respectively. Both the Air Crewman and Aircraft Technician are officer ranks.

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Their starting points are set at GDS(R) because there are insufficient points on the General Disciplined Services (Officer) Pay Scale (GDS(O)). Now that the entry pay for the two ranks are lowered, we *recommend* that an officer (HKCEE entrants) in the Air Crewman rank should move to the new minimum point of GDS(O), i.e. GDS(O)1d, in his third year of service. As for the Aircraft Technician rank, we *recommend* that the officer should move to the old minimum point of GDS(O), i.e. GDS(O)1, in his sixth year of service. The revised pay progression for the two ranks are set out in **Enclosure 6**.

12. The reduction in starting salaries for the disciplined services will necessitate the addition of one to at most four pay points to GDS(O), GDS(R), the Police Pay Scale (PPS) and the Independent Commission Against Corruption (ICAC) Pay Scale (**Enclosure 7**). As additional pay points² are inserted in the middle of the ICAC Pay Scale, there is a need to re-number the entire ICAC scale. It is not necessary to renumber other disciplined pay scales as the additional pay point(s) are all inserted below the existing minimum point. We *recommend* to accept the new GDS(O), GDS(R), PPS and the ICAC Pay Scale.

Delinking of Starting Salaries from Annual Pay Trend Mechanism

13. To ensure the continuing broad comparability between civil service entry pay and pay in the private sector for similar qualifications, we have accepted the Standing Commission's recommendation to delink the benchmarks from the annual pay trend adjustment. We *recommend* to implement the delinking of the starting salaries, i.e. the entry point, to the civilians and disciplined services at the same time as we implement the new benchmarks and starting salaries. Recruits will be remunerated at the next higher pay point in their respective Pay Scales (which is adjusted annually in accordance with the pay trend) in their second year and will then move along the relevant increment scale in subsequent years.

14. We have also accepted the Standing Commission's recommendation to conduct benchmark reviews every three to four years to ensure the benchmarks are kept in line with private sector pay in future, with an annual updating in the interim to ascertain the continuing broad comparability of civil service entry salaries with the private sector pay and to provide a trigger for the formal review at three or four year intervals. We envisage that adjustments would most probably be made only following the formal benchmark review.

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² The two additional pay points inserted in the middle of the ICAC Pay Scale, i.e. ICAC 2a and ICAC 12a, are only points for entry and not points for normal progression.

15. As we will delink the benchmark/starting pay points from the annual pay trend exercise, the dollar value of all the pay points on the various Pay Scales can continue to change on the basis of the annual pay trend survey for serving staff. However, the dollar value of the benchmark/starting pay points will remain the same between reviews unless there is clear survey evidence that pay in the private sector for recruits possessing similar qualifications has changed significantly. In effect, the benchmarks/starting pay points will become a separate scale.

FINANCIAL IMPLICATIONS

16. Based on an average of about 5 500 and 2 400 recruits to the civilian and disciplined grades respectively annually (as experienced in the three years 1996-97 to 1998-99 prior to the freeze from 1 April 1999), we estimate that we will achieve \$185 million in savings per annum on a cumulative basis when staff remunerated at lower starting salaries are recruited to fill vacancies arising from wastage and growth. In practice, we expect savings to be considerably smaller in the next few years as we are anticipating lower wastage rates and much smaller or even negative growth in the civil service establishment with the implementation of the Enhanced Productivity Programme and other initiatives. The reduction in starting salaries will bring about similar financial benefits in the subvented sector, estimated at less than 0.3% of total payroll or about \$150 million each year on a cumulative basis until all serving staff at the entry rank are replaced through natural wastage. We have already advised subvented organisations of the impact of the Starting Salaries Review on them and will put in place appropriate arrangements, through negotiations with the organisations where appropriate, to reflect the lower level of subvention. In so doing, we will assure the organisations concerned that while appointments in the subvented sector are matters between the respective subvented bodies as employers and their employees, we will provide sufficient funding for them to meet their obligations to existing staff who, like their civil service counterparts, will not be affected by the review.

BACKGROUND INFORMATION

17. In view of public concern that the starting salaries for certain civil service jobs might be out of line with that of the private sector, the Standing Commission was invited to undertake an independent review of the existing civil service starting salaries -

- (a) to ascertain if entry pay remains comparable with pay in the private sector for similar qualifications; and

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- (b) in the light of the findings, to recommend -
 - (i) whether adjustments to the qualification benchmarks or entry pay levels are called for; and
 - (ii) ways and means to ensure the continuing broad comparability between civil service entry pay and pay in the private sector for similar qualifications.

18. The Standing Commission's recommendations were released on 20 July 1999 for staff consultation. As the Standing Commission's recommendations are confined to the civilian grades, the report was passed to the Standing Committee to consider how the results of the Starting Salaries Review should be applied to the disciplined services. The Standing Committee's recommendations were released on 7 October 1999 for staff consultation. Over 150 written submissions have been received from civil service unions and department/grade management during the consultation period. The Chief Executive in Council has, at its meeting on 14 December 1999, accepted the new benchmarks and the new starting salaries for the civilian and disciplined grades.

19. Given the independence of the Judiciary, the Standing Commission's report was also passed to the Judiciary Administrator to consider inviting the Standing Committee on Judicial Salaries and Conditions of Service (SCJS) to advise on the appropriateness of adjusting the salaries of Judges and Judicial Officers in line with civil service starting salaries. The Chief Executive in Council has also accepted SCJS's recommendation that the pay level including the entry pay for all grades of Judges and Judicial Officers should remain unchanged.

Civil Service Bureau
January 2000

Examples on Serving Staff on In-Service Transfer

Under the new rule, officers will be granted a salary which is the higher of (a) the minimum pay of the new rank, or (b) a pay equal to the minimum pay of his/her new grade *plus* the difference between his/her existing pay in the former grade and the minimum pay of his/her former grade (at benchmark rank) calculated in terms of percentage, capped by one salary point above the existing pay in his/her former grade and the maximum of the new rank.

2. Set out below are some examples -

(A) Serving staff on transfer will receive the same pay

Transfer from Executive Officer II to Assistant Education Officer

existing salary	MPS 17	(\$22,075)
minimum of EO grade	MPS 12	(\$17,100)
minimum of EdO grade	MPS 12	(\$17,100)
minimum of AEdO rank	MPS 12	(\$17,100)
maximum of AEdO rank	MPS 33	(\$46,485)
1 point above existing salary	MPS 18	(\$23,170)

Salary on transfer = the higher of

- (a) \$17,100 **OR**
- (b) $\$17,100 \div \$17,100 \times \$22,075$
 $= \$22,075$ { capped by \$23,170 and \$46,485 }

Salary on transfer = \$22,075 (nearest salary point MPS 17)

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(B) Serving staff on transfer will get new minimum pay

Transfer from Sergeant to Inspector (HKPF)

existing salary	PPS 14	(\$22,210)
minimum of JPO grade	PPS 2	(\$15,520)
minimum of Inspector of Police grade	PPS 19	(\$25,580)
minimum of Inspector of Police rank	PPS 19	(\$25,580)
maximum of Inspector of Police rank	PPS 41	(\$56,910)
1 point above existing salary	PPS 15	(\$22,860)

Salary on transfer = the higher of

- (a) \$25,580 **OR**
(b) $\$25,580 \div \$15,520 \times \$22,210$
= \$36,606 { capped by \$22,860 and \$56,910 }

Salary on transfer = \$25,580 (minimum of the new rank)

(C) Serving staff on transfer will get one pay point above existing pay

Transfer from Senior Clerical Officer to Assistant Labour Officer II

existing salary	MPS 24	(\$30,785)
minimum of CO grade	MPS 2	(\$9,180)
minimum of LO grade	MPS 11	(\$16,095)
minimum of ALO II rank	MPS 11	(\$16,095)
maximum of ALO II rank	MPS 27	(\$35,285)
1 point above existing salary	MPS 25	(\$32,190)

Salary on transfer = the higher of

- (a) \$16,095 **OR**
(b) $\$16,095 \div \$9,180 \times \$30,785$
= \$53,974 { capped by \$32,190 and \$35,285 }

Salary on transfer = \$32,190 (nearest salary point MPS 25)