

**BRIEF FOR THE LEGISLATIVE COUNCIL
2002 CIVIL SERVICE PAY ADJUSTMENT**

INTRODUCTION

At the meeting of the Executive Council on 22 May 2002, the Council ADVISED and the Chief Executive ORDERED that –

- (a) an offer of a pay reduction of 4.42% for the directorate and the upper salary band, 1.64% for the middle salary band, and 1.58% for the lower salary band, with effect from 1 October 2002, should be put to the staff sides of the four central consultative councils;
- (b) agreement in principle should be given to the draft Public Officers Pay Adjustment Bill (the Bill) at Annex A;
- (c) a copy of the draft Bill should be provided to the staff sides of the central consultative councils for comment concurrently when making the pay offer;
- (d) the Council's approval of the Bill, with the rates of adjustment specified for the respective salary bands, should be sought if following consideration of the reaction of the staff sides to the pay offer it is eventually decided that civil service pay should be reduced; and
- (e) pending further consideration of the new arrangement for determining the pay and conditions of service for judicial officers, the pay reduction currently proposed for civil servants will not be applied to judges and judicial officers.

BACKGROUND AND ARGUMENT

Existing Policy and Methodology

2. The Government's policy on civil service pay adjustments is that the adjustment should be considered annually. In deciding on the size of the annual adjustment, we take into account the following factors: the net pay trend indicators (PTIs) derived from an independent private sector pay trend survey, the state of the economy, budgetary considerations, changes in the cost of living, the staff sides' pay claims and civil service morale.

3. The private sector pay trend survey is carried out annually by the independent Pay Trend Survey Committee. The survey produces the gross PTIs, which represent the movements in private sector pay for different salary bands during the period from 2 April of the previous year to 1 April of the survey year. The payroll costs of civil service increments are then deducted from the gross PTIs (which take account of additional payments such as year-end bonuses) to produce the net PTIs. A note on the methodology of the annual pay trend survey is at Annex B.

2001-2002 Pay Trend Survey

4. The pay trend survey for 2001-2002 covered a total of 130 854 employees in 91 companies. Data was collected over the period from 2 April 2001 to 1 April 2002. The resulting gross PTIs and net PTIs for the three non-directorate salary bands are as follows -

	2001-2002 gross PTIs	Payroll cost of civil service increments	2001-2002 net PTIs
	(a)	(b)	(a-b)
Upper salary band (\$47,591 - \$97,325 a month)	-3.39%	1.03%	-4.42%
Middle salary band (\$15,520 - \$47,590 a month)	-0.60%	1.04%	-1.64%
Lower salary band (Below \$15,520 a month)	-0.79%	0.79%	-1.58%

Cost of Living

5. The changes in the cost of living indices for the period 1 April 2001 to 31 March 2002, over the period from 1 April 2000 to 31 March 2001, are as follows -

Consumer Price Index C [CPI(C)] (i.e. average monthly household expenditure of \$31,801 to \$64,600 at 2001 prices)	-1.7%
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Consumer Price Index B [CPI(B)] (i.e. average monthly household expenditure of \$18,101 to \$31,800 at 2001 prices)	-1.8%
Consumer Price Index A [CPI(A)] (i.e. average monthly household expenditure of \$4,400 to \$18,100 at 2001 prices)	-1.9%
Composite CPI (i.e. based on the expenditure patterns of all the above households taken together)	-1.8%

State of the Economy

6. The Hong Kong economy underwent a distinct downturn in 2001, and economic activity remained generally modest in the first quarter of 2002. Externally, total exports of goods were still distinctly slack in January and February, yet they picked up in March as the global and regional economic conditions improved. Exports of services continued to fare relatively better, with growth advancing on the back of a swift recovery in inbound tourism and sustained rise in offshore trade. Locally, domestic demand however remained sluggish. While consumer demand moderated further along with rising unemployment and wage restraint, investment spending continued to plummet.

7. The labour market, having eased visibly after mid-2001, slackened markedly further in the first quarter of 2002. This was due to a contraction in total employment amidst more extensive corporate downsizing and lay-offs, in tandem with the economic setback. Also relevant was a sustained increase in total labour force in line with the population growth. The seasonally adjusted unemployment rate surged to a new high of 7% in the first quarter of 2002. The underemployment rate also moved up to 3.2%.

8. Overall consumer prices, having been on a continuous downtrend since late 1998, fell further in the first quarter of 2002. While domestically generated cost pressure continued to subside, import prices softened more under the combined effect of a strong US dollar and generally subdued inflation in the major supplier economies. Also keeping prices down were the Government's rates relief and the concessions on certain public utility and transport charges. The Composite CPI fell by 2.6% in the first quarter of 2002 over a year earlier, after a 1.6% decrease in 2001.

9. With the adverse external environment carried over from last year likely to gradually turn better over the course of this year, the Hong Kong economy is expected to stage a modest pick-up in 2002. Yet certain downside risks still prevail, including a possible relapse in the US economy and hence in

the global economy externally and the still subdued sentiments amongst consumers and businesses locally. For 2002 as a whole, GDP is forecast for a small growth of 1% in real terms.

Budgetary Considerations

10. In his 2002 Budget Speech, the Financial Secretary has set three targets to be achieved by 2006-07, which are to restore balance in the Consolidated Account, to attain a balanced Operating Account and to reduce public expenditure to 20% of GDP or below. In pursuit of these targets, the Government will contain annual growth of government expenditure from 2003-04 to 2006-07 at an average of 1.5% in real terms, or 1% in money terms, lower than the forecast economic growth rate for the same period. The Financial Secretary has assumed, for financial planning purpose, a 4.75% reduction in civil service pay and a corresponding reduction in the salary-related portion of subventions to various organisations to take effect from 1 October 2002, which will provide savings on government expenditure of about \$3 billion in 2002-03 and about \$6 billion in a full year. With this assumption, the Financial Secretary estimated a consolidated deficit of \$65.6 billion and \$45.2 billion for 2001-02 and 2002-03 respectively. The Financial Secretary has stated that other measures to control growth in government expenditure include reviewing our priorities for the deployment of resources, streamlining organisation, simplifying procedures and utilising market forces. The Financial Secretary has also stated that the Government will continue to adopt the existing mechanism in considering this year's civil service annual pay adjustment.

Staff Sides' Pay Claims

11. The pay claims from the staff sides of three central consultative councils (namely the Senior Civil Service Council, the Model Scale One Staff Consultative Council and the Disciplined Services Consultative Council) are at Annexes C to E. All of them urge the Government to freeze civil service pay for all salary bands despite the negative net PTIs. Their submissions cover similar grounds. They argue that in addition to the net PTIs, the Government should also consider the other important factors under the existing pay adjustment mechanism such as the state of the economy and staff morale. They point out the civil service has in recent years been under considerable work pressure as a result of the increasing demand for more efficient public services and various Government initiatives to enhance performance (e.g. the Enhanced Productivity Programme, outsourcing and measures to contain the size of the civil service). A pay freeze in such circumstance would be preferable in order to maintain staff morale. They further opine that a reduction in civil service pay would have a negative impact on consumer spending, which in turn would not be conducive to the recovery of the economy. While noting the fiscal deficit, they suggest that the Government should tackle the problem through other means rather than a pay

reduction. The staff side of the Model Scale One Staff Consultative Council also points out that over 98% of the Model Scale One staff are already at the maximum pay point with a monthly salary ranging between \$8,825 and \$11,500. A pay reduction would seriously affect their standard of living. The staff side of the Police Force Council has not submitted any pay claim.

2002 Civil Service Pay Adjustment

12. Having considered carefully all the relevant factors under the established adjustment mechanism, the Chief Executive in Council decided that an offer of a pay reduction of 4.42% for the directorate and the upper salary band, 1.64% for the middle salary band and 1.58% for the lower band with effect from 1 October 2002 should be put to the staff sides of the four central consultative councils.

IMPLICATIONS ON JUDICIARY

13. In recognition of the independent status of the Judiciary and the fact that the pay and conditions of service of the judges and judicial officers are determined separately from the civil service, the Administration has been discussing with the Judiciary for some time the establishment of a new institutional structure and mechanism as well as the appropriate methodology for the determination and revision from time to time of the pay and conditions of service for judges and judicial officers. We understand that the Chief Justice intends to make a proposal in early 2003 to the Administration for consideration. The proposal will be based on a consultancy study which the Judiciary has commissioned on overseas practice and will be made after consultation with judges and judicial officers.

14. In view of the above considerations, the Chief Executive in Council has decided not to apply the proposed pay reduction to judges and judicial officers in the draft legislation¹ being considered. However, when the new institutional structure, mechanism and methodology are in place, an assessment will be made within that structure as to whether the pay reduction currently proposed for civil servants should also be applied to judges and judicial officers and if so, as from what date.

IMPLICATIONS ON THE SUBVENTED SECTOR

15. The annual civil service pay adjustment has an impact on government's funding to the subvented sector, in that some subvented organisations receive subventions which are price-adjusted on the basis of formulae including a factor of civil service pay adjustment. When civil service pay is increased, we price-adjust such subventions accordingly. If it is finally decided to reduce civil

¹ Please see paragraph 22 below.

service salary, we shall similarly reduce such subventions. This is, therefore, a matter of funding. In reducing subventions as a result of a reduction of civil service pay, we will not be requiring the subvented sector to make similar adjustments to the pay of their staff. The question of pay for subvented staff is generally a matter between the subvented organisations and their employees.

16. Separately, however, in line with the general subvention principle, subvented organisations will have to review whether the remuneration packages for subvented staff remain no better than those for comparable civil service grades after an adjustment of civil service pay. The Controlling Officers will be in close touch with the subvented organizations on the necessary follow-up action in these organizations as a result of the final decisions on the 2002 civil service pay adjustment and will render assistance as appropriate.

IMPLICATIONS ON STARTING SALARIES FOR CIVIL SERVICE RECRUITS

17. With effect from 1 April 2000, starting salaries have been delinked from the annual civil service pay adjustment. An appointee recruited in a particular year on the delinked starting salary will remain on that salary until he qualifies for an increment after which he will join the respective pay scale and move along the adjusted scale in subsequent years. As a result of this delinking arrangement, any adjustment to the civil service pay scales, whether positive or negative, will not apply to the starting salaries. Legal advice has confirmed that in the event of a general civil service pay reduction, it would not be in order to subject those public officers who are on the starting salaries to such a reduction. We should, however, point out that when these officers eventually join the adjusted pay scale, their pay level will thereupon reflect the effect of the pay reduction.

LEGAL IMPLICATIONS

Basic Law implications

18. The Department of Justice has advised that the constitutional protection given to public servants under Article 100 of the Basic Law apply only to those officers who were serving in Hong Kong immediately before the establishment of the HKSAR on 1 July 1997. These officers are entitled to remain in employment and retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before. Article 103 of the Basic Law further provides, among other things, that Hong Kong's previous system of management for the public service, including special bodies for advising on their pay and conditions of service, shall be maintained. Specifically on pay, legal advice is that it would clearly be consistent with the relevant provisions of the Basic Law if the revised pay levels of these officers are determined after

considering the usual relevant factors under the existing mechanism for the annual civil service pay adjustment, and are either at or above the level in cash terms at 30 June 1997.

19. As regards Article 160(2) of the Basic Law, the legal advice is that this provision ensures that rights enjoyed immediately prior to 1 July 1997 are not affected by the change of sovereignty. It does not prevent subsequent amendments to those contractual arrangements, provided those amendments do not contravene other provisions in the Basic Law. While, therefore, it is arguable that the provision would protect the salaries contractually payable on 30 June 1997, it would not protect any subsequent addition to an officer's salary and would not inhibit a statutory reduction back to the levels as at 30 June 1997.

Contractual implications

20. The employment arrangements for a civil servant are governed by the provisions set out in a letter of appointment and the Memorandum on Conditions of Service (MOCS) attached to the letter. The standard MOCS applicable to civil servants provides that the Government reserves the right to alter any of the officer's terms of appointment, and/or conditions of service set out in the MOCS or letter of appointment, should the Government at any time consider this to be necessary. However, this variation clause in most MOCS now in force does not expressly reserve the right to reduce the salaries of civil servants. There is therefore a risk that a decision to reduce civil service pay without legislation would be subject to a successful legal challenge.

21. To overcome the above-mentioned legal difficulties, legal advice is that we should seek the enactment of legislation to provide for an express reduction of civil service pay and to provide that each officer's contract shall be modified to the extent of the statutory variation. This approach will ensure that subject to the passage of the legislation by the Legislative Council, the policy decision to reduce civil service pay made in accordance with the established pay adjustment mechanism will be implemented with certainty.

LEGISLATION TO IMPLEMENT THE 2002 CIVIL SERVICE PAY ADJUSTMENT

22. In the light of the legal advice, we propose that in the event of a policy decision this year to reduce civil service pay, we should introduce legislation to clearly provide for the specified rates of adjustment for different salary bands with effect from a specified date. Consistent with our objective to facilitate the smooth implementation of a pay reduction, if finally decided, the proposed legislation should provide for the following –

- (A) categories of officers intended to be subject to the pay reduction;
- (B) allowances intended to be subject to the pay reduction;
- (C) rates of reduction for different categories of affected officers and allowances;
- (D) implementation date of the pay reduction; and
- (E) exemptions from the Bill as appropriate.

The draft Bill, entitled the Public Officers Pay Adjustment Bill, is at Annex A.

(A) Categories of officers intended to be subject to the pay reduction

Civil servants

23. Generally speaking, civil servants are remunerated according to the pay scales of their respective grade and rank. There are currently 11 sets of civil service pay scales (such as the Master Pay Scale (MPS), the Directorate Pay Scale (DPS), the Police Pay Scale (PPS), the General Disciplined Services (Rank & File) Pay Scales (GDS(R)), etc.). These pay scales are subject to annual adjustment. There are also a small number of officers who are on personal salaries² and whose pay is adjusted in line with the annual civil service adjustment. We propose that the proposed legislation should cover all civil servants whose pay is –

- (a) determined in accordance with or by reference to, directly or indirectly, a point on the civil service pay scales;
- (b) adjusted in accordance with or by reference to, directly or indirectly, adjustments to the civil service pay scales; or
- (c) determined and adjusted as mentioned in (a) and (b) respectively.

Officers in the Independent Commission Against Corruption (ICAC)

24. ICAC officers are not civil servants and are mostly remunerated according to the ICAC Pay Scale. This pay scale is adjusted annually in line with adjustment to the civil service pay scales. We propose that the proposed legislation should cover ICAC officers whose pay is –

² Some of these civil servants are seconded to the publicly-funded organisations and are promoted or transferred to a rank/grade where there is no corresponding rank/grade in the civil service. There are also civil servants who have opted to retain the pay scales in their old rank/grade which have now become obsolete.

- (a) determined in accordance with or by reference to, directly or indirectly, a point on the said public service pay scale;
- (b) adjusted in accordance with or by reference to, directly or indirectly, adjustments to the said public service pay scale; or
- (c) determined and adjusted as mentioned in (a) and (b) respectively.

Public officers³ who are not civil servants or ICAC officers

25. In addition to civil service appointments and ICAC officers, the Government makes various non-civil service appointments to bureaux and departments on different terms of employment. Examples of these appointments are members of the auxiliary services, undergraduate/graduate trainees in the Department of Justice and works departments, and temporary teachers.

26. We propose that in addition to civil servants and ICAC officers, the proposed legislation should also apply to other public officers whose pay is –

- (a) determined in accordance with or by reference to, directly or indirectly, a point on the civil service pay scales or the public service pay scale;
- (b) adjusted in accordance with or by reference to, directly or indirectly, adjustments to the civil service pay scales or the public service pay scale; or
- (c) determined and adjusted as mentioned in (a) and (b) respectively.

Director of Audit

27. Under section 4(A) of the Audit Ordinance (Cap.122), the Chief Executive may, from time to time, increase the rate of salary of the Director of Audit by order published in the Gazette. The practice has been that following the annual civil service pay adjustment exercise, we seek the Chief Executive's approval to revise the salary of the Director of Audit in accordance with an established formula based on certain pay points on the Directorate Pay Scale. Legal advice is that given section 4(A) of the Audit Ordinance, it is necessary for a reduction of the salary of the Director of Audit, if finally decided, to be implemented by statute.

(B) Allowances intended to be subject to the pay reduction

³ Under the Interpretation and General Clauses Ordinance (Cap.1), a public officer means any person holding an office of emolument under the Government, whether such office be permanent or temporary.

28. In the civil service, duty-related allowances are paid for the performance of additional duties which are not otherwise compensated by regular pay. Duty-related allowances are also paid to certain public officers. These allowances are determined and adjusted in different ways. We propose that in the event of a civil service pay reduction, the following types of allowance should be similarly adjusted –

- (a) allowances which are determined in accordance with or by reference to, directly or indirectly, a point on the civil service pay scales or the public service pay scales (e.g. Hardship Allowance (Dangerous Duties) is set at 9.3% of MPS 1);
- (b) allowances which are adjusted in accordance with or by reference to, directly or indirectly, adjustments to the civil service pay scales or the public service pay scales (e.g. Consolidated Overtime Allowance for domestic staff in official residences is adjusted annually in line with the lower salary band of the civil service); or
- (c) allowances which are determined and adjusted as mentioned in (a) and (b) respectively.

29. Where the allowance rates are determined by reference to an individual officer's substantive salary (e.g. Acting-up Allowance is the difference in pay between the minimum of the acting office and the substantive pay of the officer), the allowance payable will be adjusted automatically following the adjustment to the relevant civil service/public service pay scale.

(C) Rates of reduction for different categories of affected officers

30. We propose to specify in a schedule to the Bill the specific rates of reduction for different categories of public officers.

(D) Implementation date of the pay reduction

31. We propose to implement the civil service pay reduction, if finally decided, from 1 October 2002. We consider it reasonable to allow time for affected staff to make appropriate financial arrangements before the reduction takes effect.

(E) Exemptions from the Bill as appropriate

32. We propose that public officers who are remunerated on starting salaries which are delinked from the annual civil service pay adjustment as well as judges and judicial officers should not be subject to the pay reduction. The proposed Bill will provide for such exemptions.

THE BILL

33. The key provisions of the draft Bill at Annex A are set out below –
- (a) Clause 2 defines the terms used in the Bill.
 - (b) Clause 3 reduces the pay pertaining to a point on the civil service pay scales by the relevant percentage specified in Schedule 3 to the Bill.
 - (c) Clause 4 reduces the pay pertaining to a point on the ICAC Pay Scale by the relevant percentage specified in Schedule 3 to the Bill.
 - (d) Clause 5 reduces the pay of public officers who are not civil servants or relevant public officers but whose pay is determined or adjusted in accordance with or by reference to a civil service pay scale or a public services pay scale by the relevant percentage specified in Schedule 3 to the Bill.
 - (e) Clause 6 reduces the rate of salary payable to the Director of Audit by a specified percentage.
 - (f) Clause 7 reduces the allowances payable to public officers where the allowance rate is determined or adjusted in accordance with or by reference to a civil service pay scale or a public service pay scale.
 - (g) Clause 8 makes it clear that the Bill does not operate to prohibit or affect any adjustments made after 1 October 2002 to the pay or the amounts of allowances payable to public officers.
 - (h) Clause 9 modifies the contracts of employment of public officers to expressly authorize the adjustments made by the Bill and makes it clear that the reductions in pay and allowances effected by the Bill do not give rise to any claim for compensation, damages or other remedies.
 - (i) Clause 10 and Schedule 4 provide that the pay of certain public officers and allowances will not be affected by the Bill.
 - (j) Clause 11 empowers the Chief Executive in Council to amend Schedule 4.

LEGISLATIVE TIMETABLE

34. It is our intention to obtain the Legislative Council's approval of this year's civil service pay adjustment, if decided, within the current legislative session. We shall seek the Chief Executive in Council's decision on the size of this year's pay adjustment in the light of the comments received from the staff sides on the pay offer. If the recommendation is to reduce civil service pay, we shall seek the Chief Executive in Council's approval of the Bill, with the recommended rates of pay reduction specified, for introduction of the Bill into the Legislative Council.

FINANCIAL AND STAFFING IMPLICATIONS

35. The estimated full-year savings arising from proposed pay adjustment in terms of salary and allowances is estimated to be \$3,102 million.

	\$ million
(a) Civil Service	1,488
(b) Subvented Organisations	1,609
(c) Auxiliaries	5
Total	3,102

The estimated savings in 2002-03 will be \$1,551 million.

36. There are no staffing implications.

BASIC LAW IMPLICATIONS

37. The Department of Justice has advised that the Bill is consistent with the Basic Law.

HUMAN RIGHTS IMPLICATIONS

38. The Department of Justice has advised that the Bill has no human rights implications.

BINDING EFFECT OF THE LEGISLATION

39. The Bill does not contain any express binding effect provision, but it will bind the SARG by necessary implication.

ECONOMIC IMPLICATIONS

40. The results of the 2001-02 Pay Trend Survey reflect that employers in the private sector had generally reduced the pay of their employees in the preceding year. However, a general civil service pay reduction, though broadly following the trend in private sector pay adjustment in the preceding year, might still have some impact, if only psychological, on the labour market. Currently, the civil service makes up about 5% of the total workforce and civil service emoluments account for about 10% of the overall employment remuneration in the economy. Taking account of the subvented sector, the civil service and employees in subvented organisations together account for about 10% of the total workforce and their emoluments account for about 20% of the overall employment remuneration in the economy.

PUBLICITY

41. The Secretary for the Civil Service will present the proposed pay adjustment to the staff sides in the afternoon on 22 May 2002 and invite them to submit comments by 24 May 2002. The Secretary for the Civil Service will hold a press conference on 22 May 2002 to explain the Administration's considerations when deciding the pay offer and the justifications for a legislative approach in the event of a civil service pay reduction. A press release will be issued on the same day. A spokesman will be available to answer media enquiries.

SUBJECT OFFICER

42. Enquiries on this brief should be addressed to Miss Angelina Fung, Principal Assistant Secretary for the Civil Service (tel: 2810 3112) or Miss Gloria Lo, Assistant Secretary for the Civil Service (tel: 2810 3259).

Civil Service Bureau
22 May 2002

2002 Civil Service Pay Adjustment : Annexes

- Annex A Public Officers Pay Adjustment Bill (Draft)

- Annex B Methodology of the Annual Pay Trend Survey

- Annex C Letter from the Staff Side of the Model Scale 1 Staff
 Consultative Council

- Annex D Letter from the Staff Side of the Disciplined Services
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- Annex E Letter from the Staff Side of the Senior Civil Service
 Council

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PUBLIC OFFICERS PAY ADJUSTMENT BILL

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A BILL

To

Adjust with effect on and from 1 October 2002 the pay of public officers paid in accordance with civil service pay scales or the public service pay scale by reducing each point on those pay scales by [X %]; with effect on and from the same date to adjust the pay of public officers whose pay is determined in accordance with or by reference to a point on one of those pay scales or whose pay is adjusted in accordance with or by reference to adjustments to one of those pay scales by the same percentage; to provide that with effect on and from the same date the amounts of the allowances payable to public officers that are determined in accordance with or by reference to a point on one of those pay scales or which are adjusted in accordance with or by reference to adjustments to one of those pay scales are to be determined or adjusted in accordance with or by reference to points on those scales as so adjusted; and for connected purposes.

Enacted by the Legislative Council.

PART I

PRELIMINARY

1. Short title and commencement

(1) This Ordinance may be cited as the Public Officers Pay Adjustment Ordinance.

(2) This Ordinance shall come into operation on 1 October 2002.

2. Interpretation

In this Ordinance, unless the context otherwise requires –

“allowance” (津貼) means any remuneration, other than pay, payable to a public officer;

“civil service pay scales” (公務員薪級表) means any pay scale specified in Schedule 1;

“pay” (薪酬) includes salary, wages, a consultancy fee, a training allowance and an honorarium;

“public service pay scale” (公職人員薪級表) means the pay scale specified in Schedule 2;

“relevant percentage” (有關百分率) –

(a) in relation to a point on the civil service pay scales, means the percentage specified in Part 1 of Schedule 3 in respect of that point;

(b) in relation to a point on the public service pay scale, means the percentage specified in Part 2 of Schedule 3 in respect of that point;

“relevant public officer” (有關公職人員) means a public officer who is an officer within the meaning of section 2 of the Independent Commission Against Corruption Ordinance (Cap. 204).

PART 2

CIVIL SERVANTS

3. Adjustment of pay of civil servants

(1) The civil service pay scales are, on the commencement of this Ordinance, adjusted by reducing the pay pertaining to each point on each of the civil service pay scales by the relevant percentage with each result, if it is not a multiple of \$5, rounded up to the nearest \$5.

(2) The pay payable to a civil servant in accordance with the civil service pay scales as adjusted under subsection (1) is payable with effect on and from 1 October 2002.

(3) Where the pay of a civil servant (not being a civil servant falling within subsection (2)) is –

- (a) determined in accordance with or by reference to, directly or indirectly, a point on the civil service pay scales;
- (b) adjusted in accordance with or by reference to, directly or indirectly, adjustments to the civil service pay scales; or
- (c) determined and adjusted as mentioned in paragraphs (a) and (b) respectively,

then, with effect on and from 1 October 2002, the pay payable to the civil servant shall be determined, adjusted, or determined and adjusted, as the case may be, in accordance with or by reference to the civil service pay scales as adjusted under subsection (1).

PART 3

PUBLIC OFFICERS OTHER THAN CIVIL SERVANTS

4. Adjustment of pay of relevant public officers

(1) The public service pay scale is, on the commencement of this Ordinance, adjusted by reducing the pay pertaining to each point on that scale by the relevant percentage with each result, if it is not a multiple of \$5, rounded up to the nearest \$5.

(2) The pay payable to a relevant public officer in accordance with the public service pay scale as adjusted under subsection (1) is payable with effect on and from 1 October 2002.

(3) Where the pay of a relevant public officer (not being a relevant public officer falling within subsection (2)) is –

- (a) determined in accordance with or by reference to, directly or indirectly, a point on the public service pay scale;
- (b) adjusted in accordance with or by reference to, directly or indirectly, adjustments to the public service pay scale; or

- (c) determined and adjusted as mentioned in paragraphs (a) and (b) respectively,

then, with effect on and from 1 October 2002, the pay payable to the relevant public officer shall be determined, adjusted, or determined and adjusted, as the case may be, in accordance with or by reference to the public service pay scale as adjusted under subsection (1).

5. Adjustment of pay of certain public officers who are not civil servants or relevant public officers

Subject to section 6, where the pay of a public officer (not being a civil servant or relevant public officer) is –

- (a) determined in accordance with or by reference to, directly or indirectly, a point on the civil service pay scales or the public service pay scale;
- (b) adjusted in accordance with or by reference to, directly or indirectly, adjustments to the civil service pay scales or the public service pay scale; or
- (c) determined and adjusted as mentioned in paragraphs (a) and (b) respectively,

then, with effect on and from 1 October 2002, the pay payable to the public officer shall be determined, adjusted, or determined and adjusted, as the case may be, in accordance with or by reference to the civil service pay scales as adjusted under section 3(1), or the public service pay scale as adjusted under section 4(1), as the case requires.

6. Adjustment of rate of salary of Director of Audit

(1) Notwithstanding section 4A of the Audit Ordinance (Cap. 122) or any order made under that section, the rate of salary of the Director of Audit is,

on the commencement of this Ordinance, adjusted by being reduced by [X.XX%] with the result, if it is not a multiple of \$5, rounded up to the nearest \$5.

(2) The salary payable to the Director of Audit in accordance with the rate of salary as adjusted under subsection (1) is payable with effect on and from 1 October 2002.

(3) This section shall not prejudice the operation of any order made under section 4A of the Audit Ordinance (Cap. 122) after 1 October 2002.

PART 4 ALLOWANCES

7. Adjustment of allowances

Where the amount of an allowance payable to a public officer is –

- (a) determined in accordance with or by reference to, directly or indirectly, a point on the civil service pay scales or the public service pay scale;
- (b) adjusted in accordance with or by reference to, directly or indirectly, adjustments to the civil service pay scales or the public service pay scale; or
- (c) determined and adjusted as mentioned in paragraphs (a) and (b) respectively,

then, with effect on and from 1 October 2002, the amount of the allowance payable to the public officer, in so far as the allowance is payable for or attributable to any period beginning on or after that date, shall be determined, adjusted, or determined and adjusted, as the case may be, in accordance with or by reference to the civil service pay scales as adjusted under section 3(1), or the public service pay scale as adjusted under section 4(1), as the case requires.

PART 5
GENERAL PROVISIONS

8. Future adjustments

The adjustments made by this Ordinance to the pay, and the amounts of any allowances, payable to public officers do not prohibit or affect any adjustment to the pay, or the amounts of any allowances, payable to public officers made after 1 October 2002.

9. Compensation, remedies etc.

(1) The contracts of employment of public officers are modified to the extent necessary to expressly authorize the adjustments to pay and the amounts of the allowances made by this Ordinance.

(2) For the avoidance of doubt, it is declared that –

- (a) a public officer is not entitled to compensation or damages only because of a reduction made to the pay or the amount of any allowance payable to that officer by this Ordinance;
- (b) a public officer is not entitled to exercise any contractual right or remedy, only because of a reduction made to the pay or the amount of an allowance payable to that officer made by this Ordinance.

PART 6
EXEMPTIONS AND AMENDMENT OF SCHEDULE

10. Exempted public officers and allowance

(1) This Ordinance does not apply to the pay of the public officers or classes of public officer specified in Schedule 4.

(2) This Ordinance does not apply to allowances specified in Schedule 4.

11. **Amendment of Schedule 4**

The Chief Executive in Council may, by notice published in the Gazette, amend Schedule 4.

SCHEDULE 1

[s.2]

CIVIL SERVICE PAY SCALES

1. Master Pay Scale – point 0 to point 49
2. Model Scale 1 Pay Scale – point 0 to point 13
3. Police Pay Scale – point 1a to point 59
4. General Disciplined Services (Commander) Pay Scale – point 1 to point 4
5. General Disciplined Services (Officer) Pay Scale – point 1d to point 38
6. General Disciplined Services (Rank and File) Pay Scale – point 1a to point 27
7. Directorate Pay Scale – point D1 to point D10
8. Directorate (Legal) Pay Scale – point DL1 to point DL7
9. Training Pay Scale – point 1 to point 16
10. Technician Apprentice Pay Scale – point 0 to point 4
11. Craft Apprentice Pay Scale – point 0 to point 4

SCHEDULE 2

[s.2]

PUBLIC SERVICE PAY SCALE

Independent Commission Against Corruption Pay Scale – point 1 to point 48

SCHEDULE 3
RELEVANT PERCENTAGES

[s. 2]

PART 1
CIVIL SERVICE PAY SCALES

<u>Item</u>	<u>Points on civil service pay scales</u>	<u>Relevant percentage</u>
1.	Points on the civil service pay scales the monthly salary pertaining to which is, on 30 September 2002, below \$15,520	X%
2.	Points on the civil service pay scales the monthly salary pertaining to which is, on 30 September 2002, \$15,520 or above but does not exceed \$47,590	Y%
3.	Points on the civil service pay scales the monthly salary pertaining to which is, on 30 September 2002, above \$47,590	Z%

PART 2
PUBLIC SERVICE PAY SCALE

<u>Item</u>	<u>Points on the public service pay scale</u>	<u>Relevant percentage</u>
1.	Points on the public service pay scale the monthly salary pertaining to which is, on 30 September 2002, below \$15,520	X%

2. Points on the public service pay scale the Y%
monthly salary pertaining to which is, on 30
September 2002, \$15,520 or above but does not
exceed \$47,590
3. Points on the public service pay scale the Z%
monthly salary pertaining to which is, on 30
September 2002, above \$47,590

SCHEDULE 4

[ss. 10 & 11]

EXEMPTED PUBLIC OFFICERS

This Ordinance does not apply so as to adjust the pay of a public officer who is –

- (a) remunerated on a salary, being a starting salary, that is not linked to the annual civil service pay adjustment;
- (b) a judicial officer –
- (i) holding a judicial office –
- (A) specified in Schedule 1 to the Judicial Officers Recommendation Commission Ordinance (Cap. 92);
- or
- (B) known as Senior Deputy Registrar, High Court; or
- (ii) appointed by the Chief Justice.

Explanatory Memorandum

The object of this Bill is to reduce with effect on and from 1 October 2002 the pay and the amount of the allowances payable to certain public officers by a specified relevant percentage rounded up to the nearest \$5.

2. Clause 2 defines the terms used in the Bill.
3. Clause 3 reduces the pay pertaining to the points on the civil service pay scales set out in Schedule 1 by the percentage specified in Part 1 of Schedule 3 in respect of each point. The civil servants affected by the reduction not only include all civil servants subject to the civil service pay scales but also all civil servants whose pay is determined or adjusted in accordance with or by reference to the civil service pay scales.
4. Clause 4 reduces the pay pertaining to the points on the public service pay scale set out in Schedule 2 by the percentage specified in Part 2 of Schedule 3 in respect of each point. The public officers affected by the reduction not only include all relevant public officers (see definition of "relevant public officer" in clause 2) subject to the public service pay scale but also all relevant public officers whose pay is determined or adjusted in accordance with or by reference to the public service pay scale.
5. Clause 5 reduces the pay of public officers who are not civil servants or relevant public officers but whose pay is determined or adjusted in accordance with or by reference to the civil service pay scales or the public service pay scale. The reduction parallels the reduction to the pay scale to which the pay of the public officer concerned is linked.
6. Clause 6 reduces the rate of salary payable to the Director of Audit by [X.XX%].
7. Clause 7 reduces the amounts of the allowances payable to public officers where the amount of the allowance concerned is determined or adjusted in accordance with or by reference to the civil service pay scales or the public service pay scale. The reduction parallels the reduction to the pay scale to which the amount of the allowance concerned is linked.

8. Clause 8 makes it clear that the Bill does not operate to prohibit or affect any adjustments made after 1 October 2002 to the pay or the amounts of allowances payable to public officers.
9. Clause 9 modifies the contracts of employment of public officers to expressly authorize the adjustments made by the Bill. It also makes it clear that the reductions in pay and the amounts of the allowances effected by the Bill do not give rise to any claim for compensation, damages or other remedies.
10. Clause 10 and Schedule 4 specify the public officers whose pay will not be affected by the Bill.
11. Clause 11 empowers the Chief Executive in Council to amend Schedule 4.

Methodology of the Annual Pay Trend Survey

The system of annual pay trend surveys was introduced in 1974. The survey is commissioned by the independent Pay Trend Survey Committee (PTSC) and the Pay Survey and Research Unit (PSRU) of the Standing Commission on Civil Service Salaries and Conditions of Service carries out the surveys in accordance with the methodology agreed by the PTSC.

2. For the 2001-02 Pay Trend Survey (PTS), the PSRU collects data from 91 Hong Kong companies on the following criteria -

- (a) The distribution of companies by major economic sectors in the survey field should reflect closely the overall distribution of Hong Kong's economically active population.
- (b) Individual companies should -
 - (i) be regarded as typical employers in their respective fields normally employing 100 employees or more;
 - (ii) be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis;
 - (iii) determine pay on the basis of factors and considerations applying to Hong Kong rather than factors applying in another country;
 - (iv) if they form part of a group or consortium in Hong Kong, only be treated as separate companies where they have complete autonomy in setting and adjusting pay rates; and
 - (v) not use the government pay adjustment as the main factor in determining pay adjustments.

3. The pay trend survey covers the period from 2 April of the previous year to 1 April of the survey year. It includes all full-time employees who work 75% or more of the normal weekly working hours and whose basic salaries are equivalent to the three salary bands of the non-directorate staff in the civil service. Basic salary adjustment relating to changes in the cost of

living, overall changes in market rates, general prosperity and company performance, merit payments and in-scale increments are accounted for in the survey. Changes in payments additional to basic salary such as year-end bonuses, whether permanent or temporary, are also included. Our calculation method reflects any increases in additional payments in the year of award, and likewise registers the cessation or reduction of such payments in the subsequent year. Any one-off special payment in a private sector company would not have a permanent effect on civil service salaries.

4. The survey produces three gross pay trend indicators (PTIs), each representing the weighted average pay adjustment for all surveyed employees within each salary band. These gross PTIs, following validation by the PTSC, will be submitted to the Administration for considering the size of the annual civil service pay adjustment.

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Hong Kong

第一標準薪級公務員評議會
MODEL SCALE 1 STAFF CONSULTATIVE COUNCIL
(STAFF SIDE)

Tel No.: 2810 2209
Fax No.: 2537 8630

香港下亞厘畢道
政府合署東座一二七室
電話：二八一零二二零九
傳真：二五三七八六三零

本函檔號：(28)in SSMOD/SAL/PAY/5/7/1 Pt. VI

公務員事務局局長
王永平先生
香港中環
雪廠街11號
中區政府合署西座10樓

王局長：

2002年公務員薪酬調整

職方建議本年度全體公務員凍薪。

職方認為，雖然本年薪酬趨勢調查指標出現負數，但公務員薪酬應維持於現水平。事實上，除了薪酬趨勢調查指標外，政府在考慮調整公務員薪酬時，亦應顧及其他重要因素如員工士氣、職方對薪酬調整的要求及經濟環境。

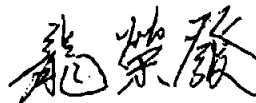
在資源增值計劃及自願離職計劃下，部門致力精簡架構，公務員人數不斷減少，至二零零二年三月三十一日，公務員的實際人數為174,550；在人數不斷減少，工作質素提升的情況下，各級員工的工作量及工作壓力大增。如果政府今年決定削減公務員薪酬，只會進一步打擊員工士氣。

從經濟角度來說，在香港經濟持續下滑的情況下，政府理應鼓勵市民消費，刺激經濟增長；削減薪酬，只會打擊公務員和資助機構員工及其家人的消費意慾，對經濟發展毫無幫助。

至於政府財政狀況問題，職方認為現時財赤是結構性的問題，並非單單削減公務員薪酬所能解決；更何況，政府的職責是為市民提供優質服務，並非牟利機構，故此，政府的財政狀況不應是公務員薪酬調整的首要考慮因素。

此外，就第一標準薪級公務員而言，員工的月入由8,825元至11,500元，薪酬僅足糊口，屬於社會的低收入人士，幾百元對他們來說已是很重要的數目；再者，現時已有超過98%的人員達至頂薪點，加上在自願退休計劃推行後，員工的轉職機會極微；若第一標準薪級員工的薪酬向下調整，會嚴重影響員工的生活水平。

在考慮上述各項因素後，職方認為本年度應全體公務員凍薪。



第一標準薪級公務員評議會
職方主席龍榮發

二零零二年五月十五日

紀律部隊評議會(職方)
Disciplined Services Consultative Council
(Staff Side)

本函檔號: SS/DSCC/P-3

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Fax No. 2537 6937

中環下亞厘畢道
中區政府合署西座十樓
公務員事務局局長
王永平先生

王局長:

二零零二年公務員薪酬調整

職方建議凍結全體公務員今年的薪酬。

今年薪酬趨勢調查結果顯示，初級和中級薪金級別人員的薪金輕微下降，但職方認為，公務員的薪酬應維持於目前水平。當局在訂定公務員今年的薪酬調整時，應考慮其他重要因素，包括香港經濟狀況、政府的財政狀況、生活指數的變化、職方的要求，以及對公務員士氣的影響。在私人機構薪酬只有輕微調整的情況下，政府凍結公務員薪酬是較為適當的辦法。這亦合乎政府過往的做法。政府維持公務員薪酬於目前水平，不僅對員工的努力表示認同，也大大激勵士氣，增強員工的歸屬感，提高他們的工作效率。此外，公務員凍薪亦有助於防止香港勞動市場薪金下調的不良影響。削減公務員薪酬將不利於香港內部消費及經濟復蘇，所節省的開支對改善政府財政赤字問題亦幫助不大。

政府飛行服務隊機師工會
Government Flying Service
Pilots' Union

政府飛行服務隊空勤主任協會
Government Flying Service
Aircrewmen Officers Association

政府飛行服務隊飛機工程師協會
Government Flying Service
Aircraft Engineers Association

政府飛行服務隊飛機維修員工會
Government Flying Service
Aircraft Technicians Union

懲教事務職員協會(高級組)
Correctional Services
Officers' Association
(Senior Section)

懲教事務職員協會(初級組)
Correctional Services
Officers' Association
(Junior Section)

香港海關官員協會
Association of Customs &
Excise Service Officers

香港海關關員工會
Hong Kong Customs
Officers Union

香港消防處制組職員會
Hong Kong Fire Services
Control Staff's Union

香港消防處救護員會
Hong Kong Fire
Services Department
Ambulance's Union

香港消防處救護主任協會
Hong Kong Fire Services
Department Ambulance
Officers Association

香港消防主任協會
Hong Kong Fire Services
Officers Association

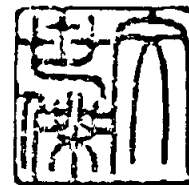
香港消防處員工總會
Hong Kong Fire Services Department
Staffs General Association

香港入境事務助理員工會
Hong Kong Immigration
Assistants Union

入境事務主任協會
Immigration Service
Officers Association

過往政府透過重整工序、重新調配人手、將工作外判、實施自願退休等措施，將公務員編制由二零零零年三月估計的198 000個職位減至二零零二年一月的184 280個職位，減幅達7%。在採取措施控制公務員編制的同時，公共服務的質量亦一直有增無減。自一九八七年以來，香港人口增加了20%，但公務員編制的職位數目一直保持穩定。明顯地，公務員的工作量及工作壓力，一直不斷在增加。當局要求提升員工質素、改善效益時，亦須維持一個合理的薪酬水平。

職方知道，本年的薪酬趨勢指標在低、中級與高級薪金級別間出現較大的差距。職方認為，政府作為良好僱主，在考慮薪酬調整時應顧及整體公務員隊伍的士氣和團結，劃一處理，凍結全體公務員今年的薪酬。



紀律部隊評議會職方主席文世傑

二零零二年五月十五日

Senior Civil Service Council (Staff Side)

ASSOCIATION OF EXPATRIATE
CIVIL SERVANTS
OF HONG KONG

HONG KONG
CHINESE CIVIL SERVANTS'
ASSOCIATION

SENIOR NON-EXPATRIATE
OFFICERS'
ASSOCIATION

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Secretary for the Civil Service

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15 May 2002

Dear Mr. Wong,

2002-03 Civil Service Pay Adjustment

The Staff Side of the Senior Civil Service Council is of the unanimous view that the following matters are relevant in coming to our pay claim for the 2002/2003 financial year:-

- (1) The importance of following the established mechanism for formulating the civil service pay adjustment. In this regard the net pay trend indicators are important but not the sole determining factor. Other factors have always been taken into consideration by both the Staff Side and the Administration. There were several departures from the PTIs in the past for various reasons.
- (2) The Staff Side acknowledges the policy to share in the ups and downs of the economy. It must however be remembered that the civil service has, in recent years, been drastically reformed and subjected to strict budgetary cuts in expenditure, e.g. EPP, downsizing, outsourcing, etc. At the same time, the services provided have been continuously expanded.

- P.02/02
- (3) The Staff Side is mindful that any pay cut would have detrimental consequences to the local economy – a “triple lose” situation, namely, immediate and severe impact on consumer spending, slow down and hinder the economic recovery and adverse impact on civil service morale.
 - (4) The accumulated shortfalls for the middle and upper bands which have arisen since 1989/90 (1.61% and 2.91% respectively).
 - (5) There has not been a pay cut for any year since the establishment of the existing mechanism in 1974.

In view of all these factors, the Staff Side has determined that a pay freeze would best fit the situation. This would enable civil servants to continue to give their whole-hearted support to government and put forward their best efforts to their duties.

Yours sincerely,



(Ms Cecilia SO Chui-kuen)
Staff Side Chairman
Senior Civil Service Council