

Public Officers Pay Adjustments (2004/2005) Bill

Impact of the pay reduction decision on civil servants on delinked starting salary

Purpose

This paper briefs Members on the impact of the pay reduction decision on civil servants on delinked starting salary.

Background

2. Following the 1999 Review on Civil Service Starting Salaries, the starting salaries of basic ranks in the civil service have been delinked from the annual civil service pay adjustment exercise with effect from 1 April 2000 and are subject to a separate adjustment mechanism. This arrangement reflects a common private sector practice whereby the entry pay of recruits is not adjusted in line with the annual pay adjustment for serving staff. Under the delinking arrangement, the dollar value of the starting pay points of basic ranks remains unchanged notwithstanding any adjustments made to the dollar value of the pay points on various civil service pay scales as a result of the annual pay adjustment exercises. In effect, a separate set of civil service pay scales, described as the reference pay scales, are in place for the purpose of determining the entry pay for various civil service basic ranks.

3. There are nine reference pay scales: Reference Master Pay Scale, Reference Model Scale One Pay Scale, Reference Police Pay Scale, Reference General Disciplined Services (Officer) Pay Scale, Reference General Disciplined Services (Rank and File) Pay Scale, Reference Training Pay Scale, Reference Technician Apprentice Pay Scale, Reference Craft Apprentice Pay Scale and Reference ICAC Pay Scale. The reference pay scales were unaffected by the civil service pay adjustments made in 2001 and 2002 and are essentially the corresponding civil service pay scales/ICAC pay scale which took effect from 1 April 2000. At present, the dollar value of each pay point on the reference pay scales is slightly lower than that for the corresponding pay point on the relevant civil service pay scale/ICAC pay scale. For example, the monthly rate of pay pertaining to Reference Master Pay Scale (MPS) Point 11 is currently \$16,095 while the monthly rate of pay pertaining to MPS Point 11 is currently \$16,210.

4. An appointee recruited to a basic rank on a delinked starting salary will remain on that salary until he qualifies for an increment, which will normally be after one year's service. He will be remunerated at the next higher pay point on the relevant civil service pay scale (which is subject to the annual civil service pay adjustment mechanism) in the second year and then move along the relevant civil service pay scale in subsequent years subject to satisfactory performance.

5. For most civil service grades, there is only one basic rank with entry pay covered by the delinking mechanism. A number of grades (e.g. Forestry Officer grade, Engineer grade, Surveyor grade, etc.), however, have more than one basic rank. For illustration, an officer recruited to the Assistant Forestry Officer rank on or after 1 April 2000 is remunerated on the delinked starting salary of that rank (i.e. Reference MPS Point 11) until he qualifies for his first increment. Thereupon, he will be remunerated at the next higher point on the relevant civil service pay scale (i.e. MPS Point 12). On promotion to an operational rank (i.e. from Assistant Forestry Officer to Forestry Officer), he will be remunerated on the delinked starting salary of that rank (i.e. Reference MPS Point 22) until he qualifies for his first increment. Thereafter, he will be remunerated at the next higher point on the relevant civil service pay scale (i.e. MPS Point 23).

2004 and 2005 pay reductions and adjustments to reference pay scales

6. On 25 February 2003, the Chief Executive in Council decided, among others, to restore the pay pertaining to each civil service pay point below Directorate Pay Scale Point 3 or equivalent to the level it was at, in dollar terms, on 30 June 1997 by two adjustments of broadly the same amount on 1 January 2004 and 1 January 2005 respectively. The Executive Council also decided that the pay reduction should apply to officers remunerated on delinked starting salaries who are offered appointment from 26 February 2003. This is to avoid a situation where civil servants on delinked starting salaries (which are set in accordance with certain pay points on the relevant reference pay scales) are paid more than officers at equivalent pay points on the regular civil service pay scales.

7. For illustration of the situation referred to in paragraph 6 above, the monthly rate of pay pertaining to MPS Point 11 is currently \$16,210 and it will be reduced to \$15,713 with effect from 1 January 2004 in accordance with the pay reduction decision. The monthly rate of pay pertaining to Reference MPS Point 11 is currently \$16,095. If that rate remained unadjusted on 1 January 2004, an officer remunerated on a starting salary at Reference MPS Point 11 would be paid more than an officer at MPS Point 11.

8. Following the decision to reduce civil service pay in January 2004 and January 2005 respectively, we have specified in the Memorandum on Conditions of Service (MOCS) and the standard form of appointment letters for issue to new recruits, including those to be remunerated on a delinked starting salary, when making offers of appointment from 26 February 2003 that they will be subject to the pay reductions which are to take effect from 1 January 2004 and 1 January 2005 respectively. Similarly, we have specified in the promotion letters issued to those officers who are promoted to a basic rank and who are to be remunerated on a delinked starting salary on or after 26 February 2003 that the pay reduction decision will apply to them.

9. To implement the pay reductions on those new recruits and promotees referred to in paragraph 8 above, we need to adjust downwards the reference pay scales which set out all the starting salaries. The reference pay scales should accordingly be adjusted by two adjustments of broadly the same amount to be implemented from 1 January 2004 and 1 January 2005 respectively so that they will align with the relevant civil service pay scales/ICAC pay scale, adjusted to the 30 June 1997 levels in dollar terms, on 1 January 2005. Clause 7 and clause 10 of the Public Officers Pay Adjustments (2004/2005) Bill (the Bill) provide for the adjustments to the reference civil service pay scales and the reference ICAC pay scale respectively. The adjusted reference pay scales are set out in Schedule 4 to the Bill.

Impact of the 2004 and 2005 pay reductions on civil servants on delinked starting salaries

For officers who are offered appointment/promoted to a basic rank on a delinked starting salary from 26 February 2003

10. As explained in paragraph 8 above, the relevant appointment documents for those officers who are offered appointment/promoted to a basic rank on a delinked starting salary have stated clearly that they will be subject to the 2004 and 2005 pay reductions.

11. For illustration of the practical impact, an officer who was offered appointment to the rank of Assistant Forestry Officer on 1 March 2003 is remunerated on the Reference MPS Point 11 with a monthly rate of \$16,095. Subject to the enactment of the Bill, his monthly salary will be adjusted to \$15,655 from 1 January 2004 following the adjustment to the reference pay scales in accordance with clause 7 of the Bill. As and when the officer qualifies for an increment, say on 1 March 2004, he will move from the Reference MPS to the MPS and be paid at MPS Point 12 which will have been adjusted from \$17,220 to \$16,693 with effect from 1 January 2004 in accordance with clause 4 of the Bill. An Assistant Forestry Officer recruited

on or after 1 January 2004 will be remunerated at Reference MPS 11 at the adjusted level of \$15,655. Should he remain on the starting salary on 1 January 2005, his salary will be adjusted to \$15,215 from that date in accordance with clause 7 of the Bill.

12. For illustration of the effect of the pay reductions on a promotee to a basic rank on a starting salary on or after 26 February 2003, an Assistant Forestry Officer promoted to the Forestry Officer rank on 1 March 2003 is remunerated at Reference MPS Point 22 with a monthly rate of \$28,075. Subject to the enactment of the Bill, his monthly salary will be adjusted to \$27,308 from 1 January 2004 following the adjustment to the reference pay scales in accordance with clause 7 of the Bill. As and when the officer qualifies for an increment, say on 1 March 2004, he will move from the Reference MPS to MPS and be paid at MPS Point 23 which will have been adjusted from \$29,610 to \$28,700 with effect from 1 January 2004 in accordance with clause 4 of the Bill.

For officers who are offered appointment before 26 February 2003

13. The MOCS for civil servants who were offered appointment before 26 February 2003 to a basic rank on a delinked starting salary provides that their delinked salary is not linked to the annual pay adjustment mechanism. These officers will not be subject to the pay reduction decision so long as they remain on that delinked starting salary. Similarly, civil servants promoted to a basic rank on a delinked starting salary before 26 February 2003 will not be subject to the pay reduction decision. The above arrangements are provided for in clause 3(1)(a) of the Bill. However, once these officers move from the reference pay scale to the relevant civil service pay scale when they qualify for an increment, which will normally be after one year's service, they will be paid at the relevant pay point as adjusted from 1 January 2004 and 1 January 2005 respectively.

14. For illustration, an officer who was offered appointment to the rank of Assistant Forestry Officer on 1 February 2003 is remunerated on Reference MPS Point 11 with a monthly rate of \$16,095. His salary will remain unchanged on 1 January 2004 notwithstanding the adjustment to the reference pay scales in accordance with clause 7 of the Bill if enacted. As and when he qualifies for an increment, say on 1 February 2004 and moves from the Reference MPS to the MPS, he will be paid at MPS Point 12 which will have been adjusted from \$17,220 to \$16,693 with effect from 1 January 2004 in accordance with clause 4 of the Bill.